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Russian giant Plotting a future for Gazprom



lack of all trades Virtual reality's new inhabitants



Sweden's budget

Keeping the markets happy



Mexican fallout

Hard times ahead for Zedillo

# FINANCIAL TIMES

**TUESDAY JANUARY 10 1995** 

Mexico uses emergency credit to support peso

#### **QE2** passengers plan £40m class action over cruise

A group of passengers who travelled on the Queen Elizabeth 2's ill-fated Christmas cruise to the US is to press ahead with a £40m (\$62m) legal action in New York despite the offer of a £7.5m compensation package to all passengers affected by the ship's problems. Prof Christine Hall, a Florida law professor said she and other passengers planned to file a class action suit in New York. Grounds for a claim could include safety issues as well as the discomfort and distress caused by the lack of satisfactory accommodation. Page 16

Saatchi executives resign: Charles and Maurice Saatchi sold their Saatchi & Saatchi shares last week, just days before the resignations of three senior executives in the advertising group, which were announced yesterday and precipitated an 11 Brown begins visit by per cent fall in its share price. Page 16

sung may build US chip plant: Samsung Electronics, the South Korean producer of memory chips, is considering establishing a semiconductor plant in the US by 1998, at a cost of up to \$1bn. Page 18; S Korea under fire on dumping, Page 6

Two leave IBM in shake-up: Big organisational changes at International Business Machines and a shake-up in top management, including the resignation of two of the company's best known executives, were announced by chairman and chief executive Lou Gerstner. Page 17 Dollar dips against D-Mark, yen
The dollar dipped against

the D-Mark and the yen

following comments from

US officials about the US-

Japan trade summit and the US trade deficit. The

dollar ended in London

at Y100.815, but breached

the Y100 level after the

close, dipping as low as

instability in Spain and

Italy drove the peseta

Y99.63. Against the

D-Mark it slipped two ofennigs after the close to DM1.5322. Political

Germany flings wide Ageinst the yen (V per 5)

and the lira to new lows against D-Mark. Fears that Italian government debt might be downgraded also

affected the lira. Currencies, Page 32; Death squad ciaims dog Madrid, Page 2 US call for non-The US Congress should "clarify" American labour law and allow companies to develop non-union employee participation schemes in the workplace, according to the Clinton administration's special commission on labour policy. Page 5

Banco Comercial Português launched a second bid for Banco Português do Atlântico, Portugal's second-largest bank, offering Es300.3bn \$1.99bm} for 100 t er cent four months after an : lier offer was vetoed by the government. Page 17

British Telecommunications, the UK's dominant telecoms operator, is expected to announce today a strategic alliance with Munichbased utilities group Viag. Page 17

Airbus overtakes Boeing: Airbus Industrie, the European aerospace consortium, won more aircraft orders last year than Boeing of the US, the first time it had attracted more orders than its US rival.

French setback on film Imports: France appeared to have lost its attempt to force through tougher rules limiting the import into Europe of foreign films and cheaper US-made television programmes. Page 2

can-US cable TV venture: Five Japanese and US companies are linking up in a \$400m venture to establish a cable TV operator, Titus, for new broadcast and communications services in Japan.

Algerian opposition parties meet: Algeria's three main opposition parties and other smaller groups are holding talks in Rome this week in an effort to revive dialogue and lure the army-led government back to negotiations. Page 4

Kashmir abuses raise concerns: US human rights activists are urging US commerce secretary Ron Brown to express concern publicly about tor-tures, killings and detentions in Kashmir and other abuses during his trade and investment mission to India next week.

Peter Cook, British comedian, died in London from a gastro-intestinal haemorrhage, aged 57. Cook spearheaded Britain's modern satire boom and was the largest shareholder in satirical magazine Private Eye: Ohituary, Page 13

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# By Ted Bardacke in Mexico City,

Stephen Fidler in London and Lisa Mexico announced vesterday it had drawn on an emergency credit line from the US and Canada and called in the US Federal Reserve to support the Mexican In the latest development in a financial crisis triggered by the devaluation

of the peso three weeks ago, the Mexican central bank also indicated it had spent \$1bn (£600m) last week to support the peso and meet foreign currency

The peso recovered yesterday after

having fallen almost 40 per cent in three weeks to record lows on Friday.

The Banco de Mexico said it had drawn \$500m from the US Federal Reserve and C\$83m from the Bank of Canada in order to buy pesos. It further announced a fall of more than \$500m in international reserves over the last week, to \$5.546bn. The central bank has a total of \$10bn available from the US and Canada, part of a recently estab-

lished \$18bn support package.
The Federal Reserve Bank of New York said its intervention had been "at the request of and for the account of the Banco de Mexico". The "operations are consistent with the efforts of the US Zedillo's economic woes may turn to political ones. Page 5 Currencies .Page 32

monetary authorities to assist Mexico in responding to recent financial develop-

A Fed spokeswoman said its intervention - which traders estimated at some \$100m - was over and above that ecounted for in the figures announced by the Mexican government. She said such intervention was "unusual" but

would not confirm it was unprecedented. Mr Enrique Vilatela, head of Mexico's national bank for foreign trade, said on

a visit to London to win backing for the government's emergency economic programme, that most of the pressure on the peso derived from "short-term financial liquidity issues."

He said some Mexican banks were facing liquidity problems because some dollar-denominated bank liabilities, including certificates of deposits and lines of credit, had not been renewed.

The effectiveness of the authorities' attempts to shore up the peso has also been limited by the redemption of expiring tesobonos - short-term dollar denonimated debt issued by the central bank. Another \$684.7m in tesobonos comes due this week. In an attempt to increase

confidence in the banking system, the Banco de Mexico also announced that it will increase funding to the bank savings insurance fund.

In an additional move designed to keep investors in the peso, the central bank increased rates for Cetes short-term peso-denominated central bank debt paper - on the secondary market to 50 per cent, 20 percentage points above last week's rates. At midday the peso was trading at 5.4 pesos to the dollar, against 5.7 at Friday's close, while the Mexican stock market was down 3.67 per cent as investors abandoned equities for the more lucrative money market.

# Warburg pulls out of **Eurobonds** after losses

Move a setback in bank's effort to compete globally

By John Gapper and Richard Lapper in London

S.G. Warburg, the UK investment bank, announced yesterday it was pulling out of the Eurobond market created 30 years ago by its founder Sir Siegmund War-

The move, following the collapse of its merger talks with Morgan Stanley, is the biggest setback Warburg has suffered in a decade in its effort to compete globally with US investment banks. It will lead to the loss of cuts by US investment banks. The operations Warburg is

closing lost about £20m (\$31m) including overheads in volatile markets in the six months to September 30, 1994. Warburg hopes to save £25m annually in expenses, but will have to pay an estimated £5m in redundancy. Lord Cairns, Warburg's chief executive, said it had decided "significant changes" were neces-sary to produce acceptable finan-

finance and asset management He insisted that its strategy of competing as a global investment bank remained intact after yesterday's move, and it would compensate by strengthening activities in other areas. The closure of

result in a one-off release of about £125m of capital. Losses from bond trading, and

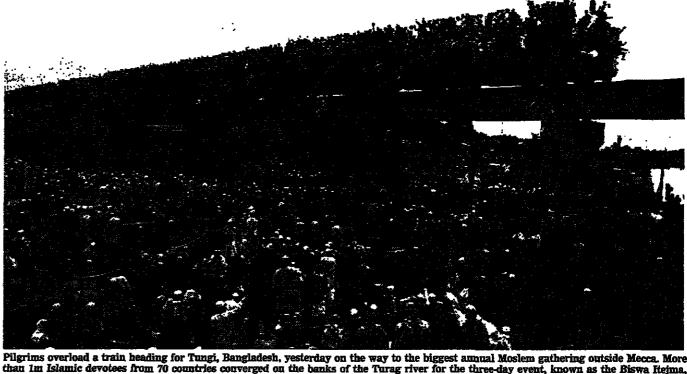
the cost of its bond selling operations in Europe, were among the factors behind a collapse in Warburg's profits from investment banking activities to only £5.5m in the six months to September 30.

Warburg will still issue sterling bonds on behalf of UK companies and sell them to domestic investors. But it is closing international sales operations, which have sold UK corporate and gov-

Redundancies... ..Page 7 ..Page 16 Lex ... Cold logic wins out at War-....Page 18 burg .....

ernment bonds to foreign investors. This means it is in effect withdrawing from the market in Eurobonds, which are sold and traded offshore. The market was inaugurated by Warburg with a \$15m issue in 1963.

Yesterday's decision further cial returns, and the bank would reinforces the dominance of US concentrate on equity, corporate banks in issuing and trading international bonds. Some 60 per cent of the \$400bn of bonds issued annually is denominated in dollars, and mainly sold to US investors. The move comes less than a month after Warburg some bond operations would



# Russian PM calls for Chechen truce

By John Thomhill and Chrystia Freeland in Moscow

Russia's prime minister, yester-day called for the government to begin negotiating a truce with rebel forces in Chechnya, as Russian troops tightened their grip on the capital, Grozny.

The truce proposal came as Mr Willy Claes, the Nato secretarygeneral, called on Russia to halt its "violence against the Chechen people". He said closer relations with the western alliance put an obligation on Russia to "gespect

human rights". International pressure on Russia and President Boris Yeltsin increased as Denmark threatened to block a European Union co-operation pact because of the violence in Chechnya.

Mr Chernomyrdin, the secondranking official in Russia, has kept a low profile during the Che-

has opposed the military opera- the beginning of the negotiating tre of the city came under artiltion at meetings of Russia's powerful security council. If his prohailed as a victory for moderates within the Russian leadership. Mr Chernomyrdin was author-

the fighting is over. According to Mr Sergei Yushenkov, chairman of Russia's parliamentary defence committee, Mr Chernomyrdin urged the

ised last week by the security council to oversee Chechnya once

military to begin negotiating a two-day truce. "It could lead to

process." Mr Yushenkov said But Mr Chernomyrdin's peace

ים מסמדו בני stepped up efforts to crush opposition in Grozny by sending in fresh forces. Despite suffering heavy casualties, Chechen rebels appeared to be holding large parts of the capital last night.

Yesterday morning, officials in the neighbouring republic of Ingushetia reported that more than 75 tanks drove through the region on the way to Chechnya. Reporters in Grozny said the cen-

lery and mortar fire with many buildings reduced to rubble.

The location of Mr Dzhokha Dudayev, the Chechen president who declared the region's independence from Russia three vears ago, was unknown vesterday. But a senior Russian official said that whatever Mr Dudayev's fate, Moscow was preparing itself for a guerrilla war following the fall of Grozny.

The government is certain to

Continued on Page 16

# GrandMet in surprise \$2.6bn bid for US food group Pet

By Roderick Oram, Consumer Industries Editor

Grand Metropolitan of the UK took a further step yesterday towards becoming a global food and drinks group with a £1.7bn (\$2.6bn) recommended bid for Pet, a US company best known for its Old El Paso Mexican food

Analysts in London acknowledged the logic of the deal, but GrandMet's shares closed down 26%p at 378p because of concerns over the short-term financial impact of the acquisition.

The unexpected \$26-a-share bid also revived long-standing uneasiness about the fondness of GrandMet under Lord Sheppard, its chairman, for the deal making and innovative financial structures which have transformed it from a hotels and brewing group. "Were it any other company doing the deal, the shares would have been flat or slightly ahead," a leading London analyst said.

World Trade News ..

UK News ...

GrandMet is paying about 21 would bring. GrandMet, for imes Pet's earnings, or twice example, plans to increase Pet's times Pet's earnings, or twice sales, for the year ended last marketing spending. June. This is broadly in line with other recent US food deals. GrandMet's net debt will rise ested in making a bid. from £2.2bn to £3.3bn, in spite of

generating £1bn from recent refinancings and disposals. Its debtto-equity gearing will rise to about 100 per cent but its interest cover will remain just over five Analysts, who believe the deal will slightly dilute earnings in

the current year, marginally downgraded their GrandMet forecasts for the next few years because of other adverse factors such as exchange and tax rates. The shares were also hit by going ex-dividend on an 11p a share gross payout.

The board of Pet, based in St Louis, Kentucky, recommended the bid for the "outstanding value" it offered its own shareownership by a larger company

Pet's advisers asked GrandMet in mid-December if it was inter-The chances of a counter-bid

were rated at no more than 25 per cent by Mr Les Pugh, Salomon Brothers food analyst in New York. Pet's shares, which had traded around the high teens for most of last year, were up \$5% at \$25% in early afternoon New York trading.

If the tender offer, which opens tomorrow and closes on February 9, is successful, GrandMet's Pillsbury division will rise from the 14th to seventh largest US food group. Food sales as a percentage of GrandMet sales will rise five percentage points to 61 per cent and operating profits will rise six points to 55 per cent.

Lex, Page 16; An expensive Pet, holders and the benefits that Page 17; Capital markets and International Bonds, Page 22

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of clandestine payments

# Death squad claims still dog Madrid

The Spanish government's attempts to distance itself from a growing scandal over its alleged involvement in a death squad suffered a blow yesterday when a Madrid newspaper revealed details of payments totalling Pta200m (£962,500) to two former policemen jailed for their part in an undercover war against Eta Basque separatists in the mid-1980s.

The payments were reported in El Mundo, the Madrid newspaper which has led media probes into the so-called GAL (anti-terrorist liberation groups) death squad. It alleged that following the arrest of the two former policemen in 1988, their wives were instructed by Madrid's interior ministry to open bank accounts at a branch of Union de Banque Suisse in Geneva, into which payments were made.

The new twist to the GAL scandal, as the legal probe broadens to include cover-up allegations, brought a fresh wave of nervousness to the Madrid markets. The general index of the Madrid bolsa closed at 279.59 to fall below the 1994 low. The peseta, apparently unaffected by a rise in the Bank of Spain's key money rate last week, was fixed at Pta85.76 against the D-Mark, up on the previous fix on Thursday last week of Pta85.26, after rising to Pta86.15 in midday trading.

The debt markets were also hit as 10-year bonds rose to yield a new high of 12.11 per cent against German long bonds, representing a spread of 440 points. The Treasury said it would, later this week, dispose of Ecu3bn (£2.36bn) from an Ecu6bn standby credit line arranged last year, indicating uncertainty over its ability to roll over some Pta5,100bu in bonds and Treasury bills due to mature over the next 90

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Dominguez, former members of a police intelligence unit in the Basque city of Bilbao, met senior officials of the interior ministry on four occasions in Geneva between 1989 and 1991 and received a suitcase containing Pta50m at each meeting. El Mundo published a bank statement allegedly showing the first of the pay-

ments. The newspaper's detailed allegations suggest that Mr Baltasar Garzón, the Madrid high court judge who is inves-tigating the GAL scandal, is collecting increasingly damaging evidence against Prime Minister Felipe González's government in connection with the death squad. Mr González, who has rejected opposition calls for his resignation, has insisted his government acted within the limits of the law against Eta terrorism and bears no responsibility for

However, market sentiment has turned strongly against the prime minister, whose government has been battered by several political scandals in recent

The feeling is that people want elections to clear the air as in Italy and they fear that, with González hanging on to power, 1995 will be a lost year for the Spanish markets", said Mr Paul Farrow, chief analyst of securities house Ahorro Corporación Financiera. Mr Amedo and Mr

Domínguez were released from prison last month after incriminating their superiors in the GAL scandal, Judge Garzón, who, according to El Mundo, has issued instructions

# Markets unnerved by reports | Paris faces setback on film imports

By Lionel Barber in Brussels

France yesterday appeared to have lost its attempt to force through tougher rules limiting the import into Europe of foreign films and cheaper US-made tele-

vision programmes.

The likely setback followed an opinion by the legal service of the outgoing European Commission which cautioned the executive body against taking formal decisions in its "lame-duck" period which lasts until January 25, when a new Commission headed by Mr Jacques Santer takes office.

The legal opinion is expected to be endorsed at a meeting of the Commis-sion tomorrow chaired by Mr Jacques Delors, outgoing president. However, the French government is likely to pursue with the Santer Commission its campaign for tighter quotas on the broadcasting of non-European material

The Commission's legal opinion raises questions whether the French-led campaign to ram through tighter controls on non-European broadcasting materials in the dying days of the Delors Commission has backfired. "The French marched their troops to the top of the hill, and now it looks like they are going to have to march them down again," said one Commission official.

Yesterday the Paris government dispatched Mr Nicholas Sarkozy, budget minister, and Mr Jacques Toubon, culture minister, to lobby Mr Delors and fellow commissioners. But the minis-ters were informed that the caretaker

Commission could only take decisions on urgent matters or when failure to act would cause damage, according to a Commission spokesman.

The broadcasting controversy revolves around proposed revisions to the 1989 Television Without Frontiers directive which requires at least 51 per cent of material shown by European channels to be of European origin

The French want the 51 per cent to be binding on all 15 member states of the Union. Late last year they supported proposals by Mr João de Deus Pinheiro, outgoing EU audiovisual commissioner, to remove the loophole "where practicable" and to extend the rules to new

However, the proposals provoked

opposition from more liberal-minded commissioners. Mr Pinheiro back-tracked and came up with modified proposals which would require broadcasters to either ensure that at least 50 per cent of their programmes screened were European-made, or to invest a certain proportion of their budgets in European

productions.

Last week the Delors Commission deferred a decision on the latest proposals beyond last Friday, when its official mandate expired. Attention now turns to Mr Marcelino Oreja, the outgoing Spanish transport commissioner who takes over Mr Pinheiro's portfolio later this month. He faces Hollywood Industry lobbyists and commercial television companies in Europe, all of whom are opposed to tighter quotas.

# Radio station defies regulator

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A French radio station played on in defiance of an attempt by a government-backed body to stifle it yesterday in one of the toughest battles in recent years over national broadcasting regulation.

Skyrock, a national music radio station, was ordered to stop broadcasting for 24 hours from midnight on Sunday night by the Consell Supérious de l'Audiovisuel (CSA), the French regulator for radio and television.

The order was designed as a rebuke following insensitive and inflammatory comments broadcast repeatedly by Skyrock when it reported the shooting of a policeman in Nice last week

The CSA decision has split the French establishment, which is angered by the provocative comments made by employees of the radio station and yet indignant at the infringement of free

It has also served to highlight the social problems of many of France's suburbs and the tensions between the police and young people in

In place of silence on the airwaves yesterday, Skyrock attempted to obey the letter rather than the spirit of the CSA ban by broadcasting dozens of messages - largely of support – phoned in by listeners. It dubbed the programme "free radio against violence and in favour of freedom of expression".

Writing in yesterday's Le Monde newspaper, Professor Dominique Rousseau, a lawyer at the University of Montpellier, called the CSA "a judicial monster which made a monstrous decision in suspending the 'monsters' of Skyrock".

The trouble started when Skyrock's broadcasters heard of the shooting of a policeman in a battle between gangs allegedly involved in drug-dealing in a Nice suburb. "A cop's been killed, that's a good piece of news," one said, in a comment repeated several

Mr Pierre Bellanger, chairman of Skyrock, said at the weekend that the CSA's ruling was "disproportionate" before taken such an extreme measure in spite of more controversial remarks broadcast on more mainstream media.

However, he stressed that the station had made a mistake, apologised and sanctioned the broadcasters involved.

The CSA confirmed it had never suspended a radio station for a breach of its code of conduct, and said it was still deciding on whether to

take further action today. Eight people have been placed under examination in Nice in connection with the shooting incident, which is reported to have taken place when gangs of gypsies and north Africans clashed. Two people, one aged 16 years and charged with murder.

# Dark horse in French race for presidency

Philippe de Villiers is certain to widen splits on the political right, writes John Ridding

ny hopes that the delicate issues of European integration, corruption and immigration could be pushed under the carpet during the French presidential election campaign this year have been swept aside following the declaration by Mr Philippe de Villiers, the aristocrat and Eurosceptic, that he would run for the Elysée.

After announcing his candidacy on national television on Sunday evening, Mr de Villiers launched a broadside against his principal targets. He attacked European monetary union, pledging that "France will not be governed from Frankfurt". He warned of a wave of immigrants from the Algerian civil war and demanded a clean-up of French business and politics following a spate of corruption scandals. Yesterday, Mr de Villiers turned his fire on the govern-

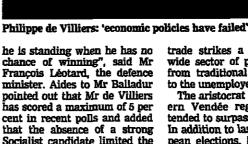
ment's failure to reduce unemployment, now standing at 3.3m. He spelled out a strategy of sharp cuts in income and payroll taxes and an accelerques Chirac, the Gaullist mayor of Paris, is already campaigning, as is Mr Jean-Marie le Pen, the leader of the extreme right National Front. Mr Edouard Balladur, the Gaullist prime minister and frontrunner in the polls to succeed President François Mitter-rand, is expected to announce his candidacy this month, probably as soon as next week.

Mr de Villiers could draw supporters from all of them. His anti-Maastricht movement, which was backed by Sir James Goldsmith, the financier turned politician, won 12.4 per cent of the votes in last June's European elections. The support, almost matching that of the Socialist party, reflected increased concerns about European integration, free trade and social problems relating to immigration. Mr Chirac, struggling in the

polls, is expected to be the biggest loser from Mr de Villiers' decision to run. The mayor has made overtures to Eurosceptics, issuing, for example, a call for a referendum on European ground of Mr De Villiers - full name Philippe Jolis de Villiers de Saintignon - and his education at the elite Ecole Nationale d'Administration, make him "the acceptable face of the far right", according to one

The unflappable Mr Balladur may also be irked by Mr de Villiers' candidacy. The latest Elysée hopeful described the premier's period of cohabita-tion with the Socialist Presi-dent Mitterrand as a time of "connivance" and he attacked Mr Balladur for having wasted the opportunities presented by the right's sweeping victory in the 1993 parliamentary elec-

Mr de Villiers' anti-corruption crusade could also harm Mr Balladur. The prime minister has lost three cabinet ministers to corruption scandals, including Mr Gérard Longuet, the former industry minister and a powerful ally of Mr Balladur. The scandals seem set to continue, following last weekend's charges against Mr Jean-Pierre Thomas, treasurer of the



threat of divisions on the

wide sector of public opinion, from traditional conservatives to the unemployed The aristocrat from the western Vendée region has also

trade strikes a chord with a

tended to surpass expectations. In addition to last June's European elections, he was one of the principal French opponents of the Maastricht treaty which squeaked through by a surprisingly small margin in a 1992

possible. However, with the

country hoping to apply for

membership of the European

Union next year, a convertible

currency is seen as a necessity

Mr Vit ruled out adopting

emergency measures such as

taxing speculative inflows to

control money supply growth,

#### ated privatisation programme. "The economic policies of the monetary union. He has since Republican party, one of the Many observers argue, howlargest elements in the ruling to freeze the UBS bank retracted that call, but is still ever, that Mr de Villiers could eferendum. "He has pulled surprises accounts opened on behalf of prove an important power-bro-ker in the second round of the past 20 years have failed", he seeking to outflank Mr Ballacoalition. the two former police officers, remanded three former senior dur on the issue. Mr Le Pen is also likely to Members of the ruling cen-tre-right coalition yesterday presidential elections. His before", said a Paris university Mr de Villiers' candidacy will played down the threat from Mr de Villiers. "I don't see why widen the splits on France's emphasis on French soversecurity chiefs in custody see support drift to the new divided political right. Mr Jaceignty and the dangers of free treated with care. arrival. The aristocratic back-

### Czechs take steps to currency convertibility exchange rate for as long as

By Vincent Boland in Prague

Czech Republic's The monetary authorities yesterday said they were taking steps to make the koruna fully convertible under International Monetary Fund guidelines, possibly

by July 1. But the National Bank ruled out an imminent revaluation of the currency.

As speculation mounts about a revaluation of the Czech currency to curtail large inflows of speculative foreign capital, much of it betting on a rise in the value of the koruna against leading convertible currencies the bank said the fixed exchange rate would remain in place for the time being.

Mr Jan Vit, a vice-governor

very visible undervaluation" in the koruna against the dollar and D.Mark. He cited as evidence modest growth in exports last year of 5 per cent. If the koruna were undervalued, he said, the rise in exports should have been higher.

"For the time being we want to keep the exchange rate stable," Mr Vit said. "One of the cornerstones of our economic policy is a fixed nominal exchange rate. We don't feel any impetus for a change in

But commenting on an expected rush of foreign investment this year similar to the \$3bn (£1.9bn) the country received last year, Mr Vit added: "We cannot exclude that in future it will be necessary to adjust the exchange

rate. Everything depends on the volume of inflows."

The koruna is currently fixed on a daily basis against a basket of the D-Mark and dollar. Mr Vit said a widening of the band against which the koruna fluctuates against the basket, from its current 0.5 per cent to at least 2 per cent, which would increase the interest rate risk of investing in the currency, was one option being examined to curtail speculative inflows.

Analysts in Prague consider the koruna to be undervalued by an average of 2 per cent. Widening the fluctuation band would almost certainly mean the value of the koruna would rise by the maximum limit allowed, rendering it "an indi-

Instead, in a significant step towards full convertibility, the bank is drafting new foreign exchange regulations that will lift most remaining restrictions on capital movements. Mr Vit said the CNB wanted to achieve full convertibility as soon as possible. "The question is not if there will be full convertibility, but when and how," he said.

The new regulations, which the CNB expects to submit to the cabinet early next month, will allow Czech citizens to open accounts abroad, will liberalise investment in the Czech Republic for residents and nonresidents, and will allow for the free import and export of capital. Some restrictions will. however, remain on foreign

Mr Vlt said the CNB hoped the regulations, which must be approved by parliament, would be in force by July 1. after which the koruna "will be fully convertible in accordance with Article 8 of the International Monetary Fund's guidelines". Convertibility of the koruna is being strongly resisted by Czech exporters, and a similar move late last year by the CNB

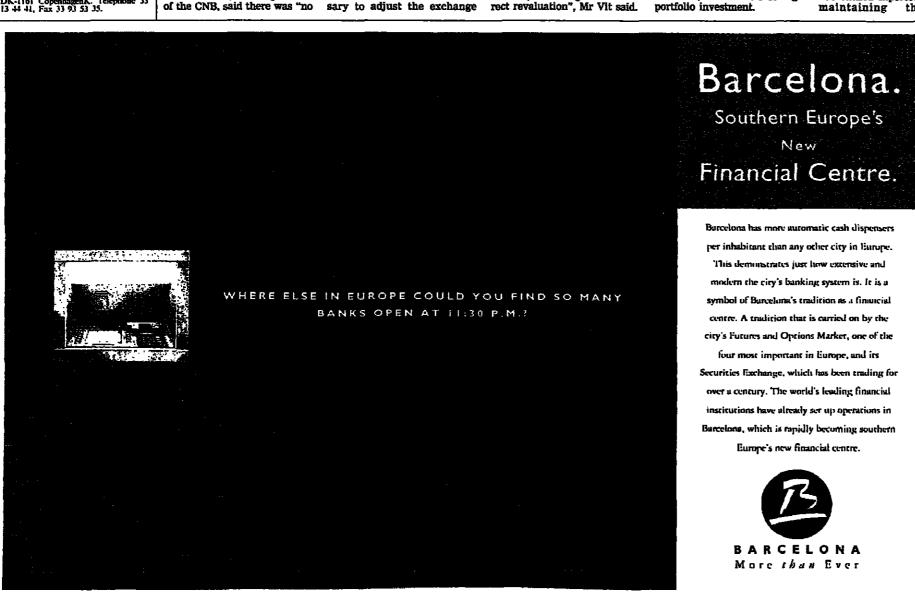
was rejected by the govern-Analysts predict the cur-rency could rise in value against the dollar and D-Mark by as much as 4 per cent after

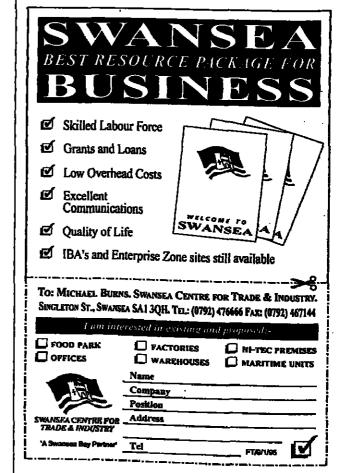
The government is also fear-

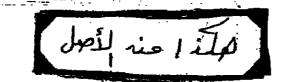
full convertibility, driving up the cost of Czech goods abroad. ful of the consequences and has backed exporters' calls for

though he said they could be introduced if existing measures were ineffective. The CNB estimates that 30-50 per cent of last year's inflows were "portfolio or speculative investment". As a result. money supply grew by an estimated 20 per cent against the

bank's original target of 15 per cent, threatening its cherished inflation target of a maximum maintaining the fixed of 10 per cent.







weakened as markets reacted

Moody's, the US agency, Hugh

Carnegy writes. The yield on

10-year government bonds

ose to 11.07 per cent from

10.81 per cent. Reports said

promised – but the budget

deficit over the 18 months

since September. The emer-

gency November package

included more than SKr30bn in

tax increases, and a further

package to finance Sweden's

European Union membership fee added a further SKr12bn.

crats' policies will also scrutin-

ise very carefully a less trum-

peted feature of the budget. Mr

Persson will include a series of

measures aimed at stimulating

employment which is expected

to cost up to SKr15bn. His offi-

cials insist the schemes will be

limited in time and fully

financed and will not add to

the debt burden. But the mar-

kets are liable to frown upon

Sceptics of the Social Demo-

- more than originally

SKr243bn.

today's budget could contain

#### **NEWS:** EUROPE

**EUROPEAN NEWS DIGEST** 

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# Lıra sınks amid regulat Rome talks

the neteration was a great definite and the second method of the second The Italian lira sank to a record low of L1,052 against the D-Mark last night within hours of talks between Mr Silvio Berlusconi, Italy's outgoing prime minister, and President Oscar Luigi Scalfaro about the country's political crisis. News agency reports that Standard & Poor's, the US credit rating agency, had put Italy's debt rating "under observation" were the immediate trigger for renewed selling of the lira, which had opened trading at LL,046.10. S&P made clear, however, that there were no immediate plans to downgrade the rating. which already took account of market instability and Italy's troubled public finances.

President Scalfaro will today renew his formal negotiations with Italy's main political parties way on the crisis, precipitated before Christmas when Mr Berluscom resigned as pre-mier. The right-wing coalition - weakened by the withdrawal of support by Mr Umberto Bossi, head of the populist Northern League - is demanding new elections, a solution which investors fear could prolong uncertainty. Andrew Hill, Milan

#### production to brings Hurd to warn on Bosnia arms

Mr Douglas Hurd, the UK foreign secretary, will visit Washington early next week to urge US congressional leaders not to go ahead with their plans to force a lifting of the arms embargo against Bosnia. In recent weeks, Congress and the US administration have moved in opposite directions over Bosnia. pa compared of \$5 Brain and comes with legislators insisting on a tougher attitude to the Serbs and the executive softening its position. Mr Richard Hol-brooke, the US assistant secretary of state for European affairs, sparked controversy by saying in Sarajevo yesterday that the international peace plan should be accepted as a "basis for negotiations". Mr Haris Silajdzic, the Bosnian prime minister, interrupted him to say: "That is your position, Mr Holbrooke, but for Bosnia-Hercegovina the plan was 'take it or

> In Zagreb, Mr Yasushi Akashi, the top United Nations envoy to former Yugoslavia, urged the Serbs to comply fully with the terms of a four-month truce agreement. He was speaking after talks with Mr Ejup Ganic, the Bosnian vice-president, who warned that the truce could collapse unless the UN insisted on full compliance, including the opening of key roads to Sarajevo. Bruce Clark and Laura Silber

#### Drug cartel used Dutch bank

listeners, it subject ABN Amro, the Dutch bank, said yesterday that it had inadvertently been used by South American drug traffickers to launder tens of millions of guilders of illicit drug profits in the early 1990s. The bank, the largest in the Netherlands, said it had bolstered its internal procedures to guard against a repeat of the money laundering. After reports in the Dutch press at the weekend ABN Amro said a Surinamese-Colombian drug cartel had laundered money through its offices in the Dutch port of Rotterdam and in Panama from 1989 to 1993.

The cartel, using a Rotterdam-based gold and jewellery shop as a front organisation, exchanged cash at two ABN Amro offices in Rotterdam for bearer cheques, some of which were later presented for payment at the bank's office in Panama. ABN Amro denied reports that warnings about money-laundering from within the bank had been ignored, saying it had started its own investigation in September 1992 and that it had co-operated fully with the Dutch authorities. In 1994 the Netherlands enacted a law requiring banks and other financial institutions to report all suspicious cash transactions above FI 25,000 (£9,225) Ronald van de Krol, Amsterdam

#### Ex-leader faces Wall charges

German prosecutors yesterday charged Mr Egon Krenz, former head of the East German communist party, and six other senior party officials with the manslaughter of East Germans who tried to flee across the Berlin Wall. At least 200 were killed between 1961 and the collapse of East Germany. The charges run to over 1,600 pages, making it the longest document of its kind in post-war German history, the Berlin justice ministry said. The case is not expected to start until the second half of this year. Mr Krenz, who was party chief between October and December 1989, said he had no case to answer. "My political activities in the German Democratic Republic do not fall under the jurisdiction of national or international law and most certainly do not fall under the jurisdiction of the German Federal Republic," he said. Michael

#### Walesa says PM needs holiday

President Lech Walesa has said that he would have dismissed Mr Waldemar Pawlak, Poland's prime minister, "six months ago" if he had held the constitutional right to do so. "Mr Pawlak is young and lacks experience and we harmed him by giving him the post he has now," Mr Walesa said in an interview with the Polityka journal to be published this week. "He should be given a holiday," the president adds. The attack comes during a dispute between the president and Poland's governing coalition over this year's taxes and candidates for the vacant post of defence minister. On Thursday the Consti-tutional Tribunal is due to rule on whether the president was right recently to call on people to pay lower income taxes than those envisaged by this year's budget. Christopher Bobinski.

#### Euro-executives pessimistic

A survey of business attitudes on both sides of the Atlantic paints a disturbing picture of European companies intent on cutting costs to improve profits instead of trying to expand. Their pessimistic outlook contrasts sharply with that in the US, where most executives see growth as a top priority. Mercer Management Consulting, the New York-based consulting the Ne tancy, yesterday said only 41 per cent of the 100 executives it interviewed in Europe saw growth as a top priority but 94 per cent of the 180 executives questioned in the US put growth at the top of the list. Mr Joao Baptista, a vice-president in Mercer's London office, said he thought the disparity in business attitudes could be attributed in part to uncertainty over the development of the European Union. Richard Tomkins,

#### ECÖNOMIC WATCH

#### EU jobless rate stays at 10.7%



Unemployment in the European Union was 10.7 per cent in November, the same as in October and 0.1 percentage points down from November 1993, the EU's statistics office reported yesterday. Unemployment in the UK fell to 8.8 per cent in November from 10.2 per cent a year earlier; in Ireland it declined to 17.5 per cent from 18.3 per cent, in Spain to 22.1 per cent from 22.7 and in Denmark to 9.5 per cent from 10.7 in October 1993. However, the jobless rate rose in Italy to 12 per cent from 11.2 per cent and in the Netherlands to 10.1 per

cent from 9.5 per cent. *Reuter, Brussels*Romania ended last year with 10.9 per cent unemployment up from 10.8 per cent in November and 10.2 per cent in December 1993. A manager at the Labour ministry forecast a

14.2 per cent rate for 1995. ■ Greek wholesale prices rose 9.1 per cent year-on-year in November against a 8.4 per cent year-on-year increase in

# Persson torn between party and market

Sweden's finance minister must try to satisfy two contesting r Göran Persson, Sweden's finance minister, will need constituencies in his budget today, writes Hugh Carnegy all his reputed talents as a

tough and unyielding figure when he presents his first budget to the Riksdag (parliament) Faced with the industrialised

world's fastest growing public debt. Mr Persson has signalled a befty package of spending cuts in Sweden's bloated public sector. He has promised savings of SKr20bn (£1.7bn) over four years, equivalent to more than I per cent of current gross national product. Much of it is expected to be in the form of painful cuts in such cherished welfare programmes as child and housing allowances and sickness benefits.

in Stockholm today.

This will come on top of an earlier emergency package of tax increases and spending cuts announced last November which will reduce the budget deficit by a further SKr57bn over the same period. Taken together, the two packages amount to some of the toughest fiscal measures ever taken in Sweden.

Mr Persson knows that the financial markets upon which Sweden depends to finance a debt soon to exceed 90 per cent of GNP will be satisfied with nothing less. Indeed, last week Moody's, the US ratings agency, downgraded Sweden's sovereign debt rating to Aa3 from Aa2, saying the debt burden would remain a serious Sweden

constraint on Sweden's economy despite the promised cuts "for at least the next decade (as a % of GDP) and probably much longer". A no less difficult task for Mr Persson and Mr Ingvar Carlsson, the prime minister. is to persuade Swedish voters that the cuts are unavoidable. The Social Democrats returned to power in a general election last September, in large part as a result of public disaffection with the efforts of the previous right-centre government to

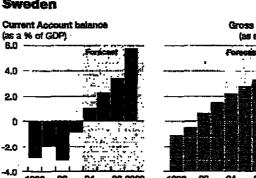
Source: OECD

by the Social Democrats. Now the new government is having to administer much the same medicine. Mr Persson's pitch to an anxious party and supporters is, in essence, that hard action taken now to restore balance to the public finances is essential to defending the core of the welfare state because it will yield the long-term growth and employ-ment needed to finance a large

reform and slim down the wel-

fare state built up over decades

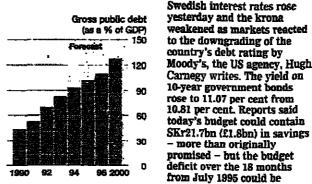
public welfare system. In 1994, the economy began to recover from a three-year recession that was an important factor behind the big budget deficit and which saw total unemployment rise to more than 13 per cent of the work-



force. Growth in 1994 was about 2.5 per cent; leaks from the finance ministry yesterday suggested its updated forecast was for similar growth this year and 3 per cent growth in

Mr Persson's strategy is to induce a virtuous circle back into the economy. He aims to persuade financial markets that his budget proposals will halt the growth of the public debt by 1996; this should help lower long-term interest rates. which are now hovering around 11 per cent, and so fur-

ther stimulate the recovery. There are, however, doubts about this being achievable.



Sweden has since 1970 slipped from third place in the world league of GNP per head to 16th. In that time net job cresively in the public sector and public spending has grown to some 70 per cent of GNP.

Many economists are concerned that the government's plans are not radical enough to produce a dramatic reversal of this trend. They suspect Mr Persson's projections underestimate the scale of savings required. They also believe the Social Democrats risk squeezing growth out of the economy through the heavy programme of tax increases introduced

the emphasis is supposed to be Swedish interest rates rose yesterday and the krona

The jobs package is, however, a vital part of Mr Persson's effort to secure broadbased support for his economic programme within Social Democratic ranks. Thanks to the fragmentation of the opposition, the party's hold on power is not under immediate challenge, despite being in a minority in the Riksdag. But there is already an internal struggle over economic policy under way - labelled a "War of the Roses" after the party's emblem - which could weaken the government and its resolve to curb the public debt.

such measures at a time when

The LO, the main blue collar trade union federation and traditional party partner, last week issued a sharp critique of the government's strategy, saying any further fiscal belttightening threatened to entrench mass unemployment. Yesterday, an influential group of Social Democratic local government leaders issued a similar warning in a national newspaper, declaring that voters had rejected reforms of the welfare system in the general election.

These critics are clearly at odds with the demands of the financial markets. But Mr Persson must somehow find a way of simultaneously satisfying both constituencies today if his budget is to be a success.

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# Taiwan steel company sell-off probed

By Laura Tyson in Taipei

Regulators are investigating arrangements for the latest sale of shares in Taiwan's state-run China Steel amid concern that a private group with ties to the ruling party may be taking advantage of its posi-tion as underwriter to gain control of the company.

The Securities and Exchange Commission was last week seeking an explanation of the role of Core Pacific Securities, part of the diversified Core Pacific group, in the planned

The economics ministry is in charge of selling some 1.443bn state-held shares in China Steel in the sixth and largest per cent stake in the company. The sale is due to be completed by July 1 and will reduce the government's stake from 67.8

per cent to 47.9 per cent. Core Pacific underwrote the privatisations of two state companies last year - BES Engineering, a construction concern, and China Petrochemical Development - and now directly or indirectly controls the boards of both. It did this by placing shares with affiliated companies, buying shares in the market and by buying up proxy voting rights, a practice permitted in Taiwan. "This is not a question of legality but of professional discipline," said an official at the economics

The share price of the blue-chip steelmaker has surged amid unusually heavy volume in recent weeks. Brokers say this is a sign that Core Pacific is accumulating shares ahead of the planned

Core Pacific is responsible for placing 800m shares. Another 443m are to be reserved for company employees, and 200m are to be offered to the public through a lottery. At a suggested price of T\$21.4 (52p) a share, the deal - excluding the shares offered to employees - is worth T\$21.4bn. Opposition legislators and the workers' union at Taiwan's biggest steelmaker say the government is giving away national assets to conglomerates. In the process, they say, certain people are using the sell-offs to enrich themselves and gain control of former state companies.

The economics ministry says it has extracted what it calls a guarantee from Core Pacific that it will not install people on the board of China Steel and will refrain from interfering in the company's operations after privatisation. But analysts and observers doubt whether the "guarantee" can be enforced.

The Core Pacific group is controlled by Mr Tony Shen, a sailor-turned-tycoon who made his fortune by cornering the market in quotas for textile exports to the US. He later diversified into construction, film distribution and finance. and is a prominent player in

the Taiwan stock market. Mr Shen is a member of the ruling Kuomintang's central committee and sits on its business management committee. which oversees the the party's extensive business interests. Core Pacific Securities ranks among Taiwan's five biggest securities houses.

Analysts say that as the government will retain control of nearly half the company's shares, it is unlikely Core Pacific could dominate the board after this tranche, but the government plans to reduce its stake further in future share sales.

Core Pacific Securities was chosen as lead underwriter in an open bid last October. China Development, a quasi-investment bank run by the KMT, underwrote a previous domestic offering but was passed over this time because of what was seen as Core Pacific's superior ability to place the offering, the fact that it submitted the lowest bid ("unbelievably low," according to a source close to the company) and fears that awarding the deal to a KMT company would provoke public criti-

In September, the government postponed indefinitely a planned second offering of global depository receipts for China Steel worth \$350m to \$400m. or 6 per cent of shares outstanding, under pressure from legislators to offer shares

to domestic investors first. Several earlier, much smaller, offerings met with limited investor interest because of poor market conditions and the relatively large size of those sales. The economics ministry hopes to hold the sale in February or March after the Lunar New Year.

# Washington and Tokyo seek mutual reassurance

Tomorrow's summit meeting is heralded as a sign of a better rapport, writes William Dawkins

here is a common urge to adhere to traditional values when times are unsettled.
That will be evident when

the leaders of the world's first and second largest economies meet in Washington tomorrow, for the first US-Japan summit in nearly a year. The confrontational tone of their trade relations in 1994 is set, for the moment, to give way to mutual reassurance of the underlying soundness of the other areas of

their partnership.

This meeting will be unlike the last one, when former Japanese leader Mr Morihiro Hosokawa, broke a tradition of subservience by politely refusing US President Bill Clinton's trade demands. It was a US-Japanese summit that agreed to disagree, heralded on both sides as a sign of a rapport ou a more adult and equal basis.

This meeting marks a pause for breath in gradual renegotiation of the US-Japan relationship launched by the Hosokawa-Clinton meeting. Both leaders have little room for manoeuvre; both are hampered by needing to co-operate with domestic political enemies to run their governments. Mr Clinton is too distracted

by the Republican majority in

Congress to think about test-

r Goh Chok Tong, Singapore's prime minister, is in a posi-

tion most of his counterparts

around the world would envy.

His People's Action party

(PAP), in power since Singa-pore was given self-govern-ment in 1959, controls 77 of the

one of the world's outstanding

economic success stories. The

economy grew by 9 per cent in

1993: preliminary estimates for

1994 growth exceed 10 per cent.

There is plenty of money in the

bank. Foreign exchange

reserves exceed \$40bn (£25bn).

Yet as expectations mount

that he will call elections

within the first half of 1995, the

prime minister appears inse-

cure and sensitive to criticism.

Mr Goh, responding recently to a mildly critical article in

the Singapore Sunday Times,

warned he would not tolerate

comments that could weaken

his authority. By holding elec-

tions a good year earlier than

he needs to, he could hope to

win a convincing mandate that

undermined by wrong observa-

tions, I have to correct them,

or the view will prevail that I

am indeed not in charge of

In an initial response, the

prime minister's press secre-

tary also felt it necessary to

issue a statement assuring Sin-

gaporeans that Mr Goh is his

own man. "The buck stops with him," said the press secre-

In a letter published in sev-

eral Singapore newspapers, he

said: "Singapore will expand its political and artistic space

pragmatically and gradually,

not in accordance with any for-

mula urged upon Singapore by

the Western media, which had

tary. Later he went further.

Singapore," said Mr Goh.

"When my authority is being

would bolster his standing.

81 seats in parliament. Singapore continues to be ing the Japanese link too far.
The straight-talking and aristocratic Mr Hosokawa, meaning authority. But just in case while, has been replaced by Mr Tomiichi Murayama, an elderly former trade union official and head of the ailing Social Democratic party.

Mr Murayama will be reading his lines in Washington

from a text prepared by the dominant Japanese government coalition partner and his own former foe, the conservative and pro-US Liberal Demo-

Mr Murayama's own party is on the verge of breaking up as he departs for Washington today, so he can be counted on to try to ensure the summit is Mr Muravama's few remaining Socialist credentials should tempt him to stray from the programme, Mr Yohei Kono, foreign minister and head of the LDP, will be at his elbow at

The first item on the LDP's agenda, though probably less important to the US, is to defuse in advance any tensions from the 50th anniversary this year of the end of the second world war. The recent row leading to the withdrawal of a proposed US postage stamp bearing a picture of the bombrent heart-searching over Japan's likely non-attendance at US and UK victory commemorations, are tastes of just how emotionally charged this year could become

The Japanese side wants to review relations, specifically to buttress security co-operation with the US in a potentially unstable east Asia, with the recent leadership change in North Korea and one expected

Mr Murayama might also start talks on Japanese fund-ing for US troops in Japan, after the present agreement expires in 1996. This year, Japan will pay Y271.4bn (£1.74bn) to the cost of stationing 46,000 US defence employ-ees on its territory. The gov-ernment would love to trim that bill, in line with curbs on its own defence spending, but only if this does not jeopardise US military support.
One possibility, say Japanese

officials, would be to agree to prepare a joint declaration on US-Japanese security co-opera-tion for the November summit of the Asia Pacific Economic Co-operation forum, to be chaired by Japan.

Mr Murayama will be seeking US co-operation to prepare for the Apec summit, where Japan's main task will be to coax the forum's heteroge-

he declared: "If you ask whether I want to do it, I say

ves, provided I am the best per-

The extreme sensitivity of

the issue is reflected in the fact

that Mr Lee Senior, Mr Lee

Junior and Mr Goh are all suing the International Herald

Tribune newspaper, claiming that it had said Mr Lee

Junior's appointment was not

Recently the IHT has been in

trouble again over an article

written by an American aca-

demic in which allegations

were made about the judiciary

in certain unnamed Asian

countries. Charges of contempt have been lodged against five people for their "joint and/or

several acts in bringing into

existence, publishing and

distributing a statement con-cerning the Singapore judi-

the PAP vote at the last gen-

eral election in 1991 and in a

subsequent presidential elec-

tion. Yet the PAP vote has

been declining since 1984, well

Dr Chee Soon Juan, a US-

trained neuro-psychologist who is a member of the small oppo-

sition Singapore Democratic

Party, said Mr Lee had lost touch. "People are tired of paternalism and élitism," said

Dr Chee. The PAP had done

much for Singapore. But it had

bought people off with material benefits and created a

political culture based on apa-

Dr Chee was a researcher at

the National University of

Singapore until he was dis-

missed from his post for alleg-

edly misusing research funds

thy and fear, he said.

before Mr Goh took charge.

r Goh's so-called soft

approach was blamed for a slide in

made on merit.

specific steps to reduce trade barriers. Washington will be only too glad to oblige, in line with its well-known urge to push free markets in Apec faster than some Asian economies, fearful of US economic

competition, would like. US-Japan economic relations. focus of the previous bilateral summit, have fallen so low on the Japanese government's agenda this time that the for-eign ministry official briefing the press yesterday had to be reminded to mention the sub-

The feeling in Tokyo is that the trade heat is off, because of last October's accord on the

insurance and government procurement markets, and the recent agreement to re-open talks on cars and car parts. more than half of Japan's trade surplus with the US.

On this, the Japanese government may be over-optimis-tic. While Washington has adopted a more gentle style on trade talks in recent months, it is not signalling a let-up of the pressure. Mr Clinton plans to devote a substantial amount of time to trade issues at the meeting, US officials warn.

But in keeping with the comfortable pre-Hosokawa US-Japan relationship, the Japanese side is likely to leave a gift for its friends and protectors in Washington, Officials on both sides say they are near agreement on an opening in Japan's vast pension fund manag market, on banking and securities, and in government purchases of computers.

On top of this, Mr Murayama may use the occasion to repeat his plans for a five-year deregulation programme, to be launched before the end of March. US officials may be sceptical over Mr Murayama's ability to deliver concret results. Yet Mr Clinton will be relieved to find at least one subject on his agenda is promising trouble.

#### PUBLIC 'FEAR A BANK FAILURE IN THE NEAR FUTURE'

The Japanese public's confidence in its financial system, burdened by bad debts and high costs, is ebbing, on the evidence of a survey published yester-day, William Dawkins writes from

Nearly two-thirds of Tokyo housewives - controllers of the nation's purse-strings – and salarymen see a "high possibility" a bank will fail in the near or medium-term, according to the Nikkei Financial daily newspaper. Just over two-thirds expect the imminent demise of a stockbroking com-

pany. Half the 274 respondents said they would withdraw all their funds if their bank were to report a loss, a rare

event in Japanese banking. It suggests the Bank of Japan was wise last month to rush to the rescue of two credit unions on the brink of bankruptcy, yet so small that many doubted whether they posed a threat to the sta-bility of the financial system. Nearly two-thirds of those polled

knew nothing about the deposit insurance corporation, an industry body, funded by commercial banks to reimburse clients of failed banks. Some 60 per cent said financial institutions' disclosure of information was fairly or

With confidence as low as this, it might appear a miracle that the Japanese public has not staged a run on banks, said Ms Alicia Ogawa, financial analyst at Salomon Brothers Asia. The fact depositors have not acted on their apparent lack of faith suggests they are confident the finance ministry will resunconditionally, she concluded.

depositors knew the deposit insurance corporation's funds cover a mere 0.15 per cent of the bank balances it is sunposed to insure, according to the corporation's latest annual report.

The survey underlines the constraints on the ministry in its attempts to encourage banks to write off bad debts aggressively and clean up their balance sheets. On the evidence of the poll, says Ms Ogawa, Japanese banks will continue to dispose of their had debts cautiously this year.

INTERNATIONAL NEWS DIGEST

# Israel lifts curbs on Palestinians

Israel agreed yesterday to recognise Palestinian passports, so allow vehicles with Palestinian licence plates to use israel roads, to let men over 50 and students cross between Gaza and the self-rule enclave of Jericho and to co-operate in construc tion of an industrial park on the West Bank. These were the only visible results of talks in Gaza yesterday between Mr. Shimon Peres, Israeli foreign minister, and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation. But both men emerged satisfied that progress was being made, however slowly, towards implementing the second phase of the 1993 Oslo agreement.

The meeting came as the Bank of Israel published a research document showing that the slowdown in Israel's economic growth for this year may be greater then originally expected. The bank document forecast unemployment will rise in 1995 to 8.2 per cent after dropping for two years. The government's official forecast is for 7.5 per cent. Gross domestic product will grow by 4.1 per cent, the document predicted. This compares with an official forecast of 4.9 per cent and is down from 6.8 per cent growth in 1994. Business sector product will grow 4.7 per cent, compared with the government's forecast of 5.7 per cent and 7.9 per cent in 1994, the Bank of Israel document said. Eric Silver and Reuter. Jerusalem

Indian exports increase by 15%

India's exports in the first eight months of fiscal 1994-95 (April-November) increased 15.18 per cent to \$15.94bn (£9.9bn) against \$13.84bn in the same period last year. Commerce Ministry figures yesterday indicate imports were up 22.48 per cent to \$17.6bn against \$14.37bn, pushing up the trade deficit to \$1.66bn. While petroleum, oil and lubricant imports, which traditionally account for nearly a fourth of India's total imports, decreased 4 per cent, non-oil imports increased 32.16 per cent during the eight-month period. The government estimates that exports during November indicate an increase of 18.8 per cent over November 1993. The export levels are expected to pick up, after restrictions - imposed by some countries following reports of plague - have been withdrawn. ● India's Election Commission yesterday asked for postponement of the budget until March 11, the last day of polling in

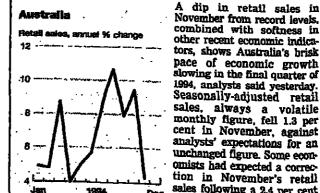
state elections. Shiraz Sidhoa, New Delhi

#### Perry starts visit to Pakistan

Mr William Perry, US defence secretary, arrives on a two-day Mr William Perry, US useful Secretary, which washington visit to Pakistan today amid few indications that Washington and Islamabad, close allies at the height of the cold war, are anywhere near narrowing their differences. Pakistan continues to resist western efforts to open its controversial nuclear facilities for international inspection and awaits compensation from the US for partial payment for 71 F-16 fighter aircraft that were never delivered. The two sides have yet to decide a formula to compensate Pakistan for \$658m (£411m) out of a projected total of \$1.4bn for the aircraft. They were held up after Washington cut off aid in 1990 over fears of Pakistan's

The slow march by Nigeria's military regime towards civilian rule stalled again on Monday when the constitutional conference in Abuja was adjourned for two months, having just returned from a four-week break. This is the third delay to a conference which was convened last June by head of state General Sani Abacha who hailed it as the start of a rapid transition to democracy. It overran its October deadline until early December then took a month's break while a committee drafted amendments to the constitution. The 360 delegates returned to revue the draft yesterday but were told that it would not be ready until January 23. The conference then adjourned until March 6. Paul Adams, Lagos

#### Australian growth falters



November from record levels, combined with softness in other recent economic indicators, shows Australia's brisk pace of economic growth slowing in the final quarter of 1994, analysts said yesterday. Seasonally-adjusted retail sales, always a volatile monthly figure, fell 1.3 per cent in November, against analysts' expectations for an unchanged figure. Some econ-omists had expected a correction in November's retail sales following a 2.4 per cent leap in October, but most

agreed the three official interest rate rises between August and December totalling 275 basis points are beginning to hit interest-rate sensitive sectors such as housing and retailers. Reuter, Sydney

■ Japan's orders for machine tools in November jumped 43.9 per cent from a year earlier to Y54.41bn the Japan Machine Tool Builders Association said. The association, grouping 106 machine tool makers, said the figure represents a 5.8 per cent increase from October. Reuter, Tokyo

# Goh battles to bolster his standing For most in Singapore, ex-premier Lee is still a force, writes Kieran Cooke

Michael Richardson (right), Asia editor of the Paris-based International Herald Tribune (IHT), and its publisher, Richard McClean, outside the Singapore Supreme Court yesterday. The court ruled yesterday that an American professor who wrote an article for the IHT and officials of the newspaper had a case to answer over a contempt of court charge. The court was adjourned until January 17 when Mr Richardson is expected to be cross-examined in the dispute over the article written by academic Christopher Lingle and published last October. The article made unflattering remarks about Asian judiciaries which it did not identify.

\*\*Return: Associated Press\*\*

minister after more than 30 years in power and now sits in Mr Goh's cabinet with the title of senior minister. For most Singaporeans, Mr

Lee is still the country's dominant political figure. Mr Goh's administration

admits that it is having great difficulty attracting people of the necessary calibre into gov-Old stalwarts have either retired or gone to the private

sidered political lightweights. Most Singaporeans feel it is still Mr Lee, now 71, who calls the political shots.

a salary more than three times that of US President Bill Clinton. It is estimated that annual salaries for ministers will rise to \$\$800,000 (£350,877) from \$\$800,000.

Some PAP MPs questioned the wisdom of the move, saying it would cause widespread public resentment and lose the party votes at the next general election. Mr Lee told parliament such salaries were needed to attract people into government from the private sector. Many ministers are concalls for a referendum on the

sures by 61-6.

sector. He strongly objected to The people at large ... are

Lee seems to have prevailed. breaching Singapore's Official Secrets Act by having dis-closed a growth figure before it was officially released. Mr Lee said he doubted that the Singapore paper concerned, the

society". But the more authoritarian, no-nonsense style of Mr Last year two business journalists and three local economists were found guilty of Business Times, would have dared to use "illegally obtained or leaked official figures" if he had still been prime minister. He said certain "pressure groups" were trying to under-

# Algerian opposition parties hold talks

Algerian opposition parties are holding talks in Rome this week in an effort to revive dialogue and lure the army-led government back to negotiations.

The talks follow the Christmas eve bljacking of an Air France aircraft by Islamic militants that left three passen-gers and all four hijackers dead. Sponsored by a Roman Catholic group, the Community of St Egidio, the talks include the main parties – the National Liberation Front, Algeria's former ruling party, the outlawed Islamic Salvation Front and the Socialist Forces Front – and other smaller groups.

This second round of discussions under the auspices of St Egidio is intended to establish a common platform from which opposition parties can approach the government. "The hijacking of the Air France aircraft confirmed that violence cannot be contained within Algeria," Mr Hocine Ait Ahmed, leader of the Socialist Forces Front, told Italian radio yesterday. "The talks should produce a concrete.

democratic and peaceful plan to begin negotiations with the government. ties agreed that no dialogue was possi-ble without the outlawed FIS, the Islamic party that was poised to win the December 1991 general elections annulled by the military-backed regime. This round of talks, likely to continue through the week, are also expected to produce a statement endorsing plans for a national congress to be held in Algiers and attended by

all parties including the FIS.

Rome talks as attempts at foreign interference in its domestic affairs. Attempts by Algeria's head of state, Gen Liamine Zeroual, to open dialogue with the FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, collapsed last October. In November the government stepped up its campaign against Moslem extremists, fuelling even bloodier spirals of violence. Since 1992, about 30,000 people have died in Algerian violence. Reports put the average weekly death toll at 800.

The government has condemned the

to send a thesis to his wife in pushed for and praised Amerithe US. He had to pay \$\$400,000 mine society. they in a position to judge? asked Mr Lee. "I have been can-style democratisation in Mr Lee announces many of (£174,000) damages and costs to his former department head, a the big policy changes and does not hesitate to throw his Taiwan and South Korea." r Lee's eldest son, Mr Lee Hsien Loong, is seen as Mr Goh's "In 10-20 years, the results in through this life ... I say 'do Lee Hsien Loong, is PAP MP, for remarks he made nuclear weapons capability. Farhan Bokhari, Islamabad Taiwan. South Korea and Singit'. I am in a position to judge." Parliament voted in the meaconsiderable political weight disputing his dismissal. apore will speak for themabout. In November he made most likely successor. At pres-"The present type of society is sustainable as long as there is economic progress," says Dr Nigerian conference adjourned ent a deputy prime minister. The problem for Mr Goh is he reflects the tough style of speech in parliament defending When Mr Goh came to power ministerial pay rises that will make Mr Goh's government the shadow cast by Mr Lee he said he wanted to practise a his father, and has made no Chee. "If and when the econ-Kuan Yew, the main architect more open, consultative style secret of his willingness to omy takes a turn for the worse, of government to achieve a "kinder, more compassionate of modern Singapore, who, in the most highly paid in the serve in the top job. In an interview published in August Singapore will come apart at the seams." world. Mr Goh already receives 1990, stepped down as prime

# North Korea opens ports to US vessels

The US is expected to deliver its first Korea this week, following Pyongyang's announcement yesterday that it will lift curbs on the import of US products and a ban on port calls by US vessels.

In another sign of its opening, iso-lated North Korea also will accept 10,000 foreign tourists in April to attend a sports and cultural festival that may be the prelude to the formal assumption of power by Mr Kim Jong-il. The latest measures indicate imple-

mentation of the recent US-North Korean nuclear accord is proceeding smoothly, despite last month's crash of a US army helicopter in North Korea. North Korea has already concluded the initial stage of the deal, signed in

October, by suspending operation of its

5MW nuclear reactor and construction

of its 50MW and 200MW reactors, under

the supervision of the International Atomic Energy Agency. It has also shut a nuclear reprocessing plant. This deprives North Korea of

for its suspected nuclear weapons pro-gramme, although it remains uncertain whether it has already processed enough plutonium for one or two atomic bombs.

In return, the US has promised to supply heavy fuel oil to North Korea to replace energy lost from the closure of the reactors. The first oil shipment of 50,000 tonnes, to be supplied by Honam Oil of South Korea on contract to the US defence department, is scheduled to be loaded and delivered to the North Korean port of Sonbong by the week-

The US has agreed to increase the fuel oil shipments to 500,000 tonnes a year over the next decade, when the building of two new safer light-water reactors in North Korea is expected to he completed.

A further easing of trade relations is expected by January 21, as stipulated under the nuclear accord, with the US and North Korea abolishing restrictions on financial transactions and telecom-

# Surance Zedillo's economic woes may turn to political ones

Mexico's president and ruling party are likely to pay the price in five electoral tests, write Ted Bardacke and Stephen Fidler

Ernesto Zedillo has multiplied his political problems too. Even given the most optimistic outcome, the Mexican president has a difficult year ahead.

THESDAY JANUARY

The State of the State of Stat

WWS DIGEST

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## Increase!

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growth falter

The crisis has already taken a heavy toll on the popularity of a politician whose election slogans were "Wellbeing For Your Family" and "He Knows How To Do it". This year's official growth forecast of 1.5 to 2 per cent, and a jump in inflation from 9 per cent in 1994 to an average 16 per cent both appear optimistic to econo-

Mr Jorge Castañeda, a Mexican academic and political commentator, says: "He promised stability and he delivers chaos. He promised the fruits of the sacrifices of the last 12 years, and he delivers more

In fact, he was elected in part on the perception that he

he financial crisis which has enveloped the government of President is ironic that the economic sitis ironic that the economic situation is dragging them down rather than political ineptitude when the cabinet was thought to be dominated by economists," says Mr Roderic Ai Camp, director of Latin American Studies at Tulane Univer-

> The president and his Institutional Revolutionary Party (PRI), which has ruled Mexico for 65 years, face five impor-tant election tests this year. The PRI is not used to losing elections, but presidential aides privately admit that the party could lose all five. Elections will be held this

year in the states of Jalisco. Guanajuato, Yucatán, Michoa-cán, and Baja California. Three will hold both state congressio nal and gubernatorial elections, Michoacán' will vote only for a state congress and Guanajuato only for a governor. In all of the states, the

opposition is historically strong and has a history of reacting vigorously to electoral fraud, real or perceived.

The PRI's electoral strategy in 1994, which earned it just 50 per cent of the vote in the presidential elections, was based on holding the core PRI support together with offers of job creation, an increase in real wages and more spending on public works. The vote of potential opposition voters was virtually ignored.

With even the government's best-case forecast being for lower economic growth, cuts in government spending and see the PRI as certain to lose some of its 1994 voters and it is virtually unimaginable that any opposition voters would cross back to the ruling party.

During the recent events the PRI has remain conspicuously

silent. While it is normal for

tion whether Ms Maria de los Angeles Moreno, its new leader, has the political savvy to wake the party from its

Mr Zedillo's immediate political difficulties are, some commentators consider, likely to be increased by his apparent commitment to political reform and to governing by the rule of law - a novelty in Mexico. were it to happen.

By not using the hidden esidential levers of control in Mexico - jobs, money, threats, promises - or by using them more sparingly. Mr Zedillo would find it harder to deliver a convincing response to the Already, he is viewed as

inheriting an office weaker than his predecessors. "The fact that Mexico has made some progress on political modernisation puts Zedillo into new and unexplored territory," says Mr Riordan Roett, senior policy analyst at Chase Man-



For whatever reason, Mr Zedillo is widely viewed inside and outside the country as reacting to events, rather than successfully shaping them. But seizing the agenda is more easily said than done, given Mr Zedillo's style of seeking dia-

sidering a Golpe Espectacular a spectacular strike that would make people take notice such as his predecessor's jailing of the head of the powerful oil workers' union - but no ready opportunity seems at hand. An important further eco-

ising Pemex, the state oil monopoly - would undoubtedly weaken his standing domestically, particularly if it were to be seen as bowing to the demands of US financiers. In fact, the economic crisis has meant that one option to win popularity for Mr Zedillo - the nationalist card - is made daily more difficult by the financial crisis.

The government is now heavily dependent on US support, as the intervention yesterday by the New York Fedforeign exchange market makes clear.

With increased illegal immigration and a falling trade surplus with Mexico both likely fall-outs from the financial crisis, relations with Washington may become more difficult. Historically, Mexico has usually been forced to give in to the US on a variety of eco-

"Zedillo needs to create a new national alliance within Mexico. In the midst of the crisis it seemed like he was rely ing on more help from the for eigners than from the Mexicans. But to get out of the crisis, he is going to need help from Mexicans," said Mr Jaime Gonzalez Graff, a conservative political analyst.

Furthermore, the rebellion in the southern state of Chiapas seems likely to remain a continuing problem for the president. Neither side seems strong enough to deliver a fatal wound to the other, but when the government tries to placate the Zapatista guerrillas, they tend to respond belligerently.

The complexity of these problems and the way the gives the impression that Mr Zedillo is making policy on the hoof. "This is like water torture. Every day another drop

# the party to go into a post-elec-toral hibernation, many ques-

A car stands stranded on a section of flooded roadway in California. Storms in Napa and Sonoma counties, just north of San Francisco, forced some communities to evacuate their homes

#### **Implant** maker loses kev appeal

Dow Corning, the largest US manufacturer of silicon breast implants, yesterday lost the final round in an appeal to overturn a key \$7.3m product liability judgment against the

The decision could advance the cases of others who claim implants caused illness. Some 15,000 women have opted out of a \$4bn worldwide settlement offered by manufacturers, pre-ferring to pursue their claims

through the US courts. The US Supreme Court ruled that it could not hear an appeal from Dow Corning over the case, in which the com-pany had been ordered to pay \$840,000 of actual damages and \$6.5m of punitive damages. The company had already lost a hearing before the federal

appeals court in San Frencisco.

Dow Corning had argued the original trial judge should not have allowed scientific evidence to go before the jury which supported the claim that implants had caused illness to the plaintiff, Ms Maryann Hopkins. The company, a joint ven-ture between Dow Chemical and Corning, has argued there is no evidence linking implants

The Hopkins case outcome had encouraged many other women to file suit against Dow Corning and others.

"It's the first time since the

advent of the jet age that Boe-

ing has lost its number one

spot in airline orders."

The US company, however, was quick to dismiss the Air-

bus announcement, saying

deliveries of aircraft, in which

# Maryland court hears challenge over governorship

The saga of the contested Maryland governorship yester-day approached its climax as a state court began hearing the case brought by Mrs Ellen Sauerbrey that she was denied victory in last November's election by voting irregulari-

Mrs Sauerbrey, a conservative Republican, lost to Mr Parris Glendening by 5,993 votes in a total poll of about 1.4m, according to the certified final tally. He is due to be sworn in as governor on January 18. Her suit is one of a handful

outstanding from the mid-term elections. Mr Michael Huffington, another Republican, still has not conceded a 160,000 vote defeat to Senator Dianne Feinstein in California, while the narrow victories of two House Democrats, Ms Jane Harman and Mr Sam Gedjenson, from California and Connecticut respectively, also face chal-lenges. All three, however, have been sworn in to the new

Mrs Sauerbrey's case. lemanding either a new election or her installation instead of Mr Glendening, has looked thinner with each passing week, to the point that some Maryland Republicans are openly urging her to drop it. Her principal lawyers even withdrew from the action over the weekend, citing differences

owned by Aerospatiale of

France, Deutsche Aerospace,

British Aerospace and Casa of

Spain - said it delivered 123

aircraft to 35 costomers last year. This compared with 138

aircraft delivered in 1993, and

130 aircraft which Airbus had

claimed that about 49,000 votes were improperly cast, but has pared this number down to 14,000 partly in the wake of local press investigations that appeared substantially to disprove her charges that thousands of voters were dead, or in jail, or had moved from their registered addresses.

She has also partly retracted earlier generalised claims that the election was "stolen" from

Last week, her lawyers said no accusation of fraud was being laid at the door of either the Glendening campaign or any Democratic state official. Her campaign to have the election result overturned has attracted some support from the new Republican leadership

in Congress and from conservative publications. She was even seated at a GOP conference of new governors last November, albeit with a nametag missing the title she thinks should be hers. Her challenge is unprece-dented in Maryland, but not in

other states. In 1990, in neighbouring Virginia, Mr Doug Wilder had to wait weeks before confirmed in court.

his narrow gubernatorial vic-tory in November 1989 was On Saturday, the presiding judge in Annapolis, the state capital, denied her request to delay the case following with-

drawal of her lead lawyers.

Boeing said the number of

aircraft delivered was a far

more important measure of

the two groups' standing than orders. It had delivered 270

aircraft to its customers last

# Non-union employee schemes urged in US

By Robert Taylor in Washington

The new US Congress should "clarify" existing American labour law and allow companies to develop non-union employee participation schemes in the workplace, according to the final report of the Clinton administration's special commission on labour policy.

The commission's report, published

yesterday, said employers should be free to develop such schemes without having to break the existing law. This dates back to the New Deal of the 1930s and prohibits the creation of companydominated bodies to deal with the pay and conditions of employees. However, the AFL-CIO union federa-

tion denounced the proposal as a threat to collective bargaining and union rep-

resentation in the workplace. The commission, chaired by Prof John Dunlop of Harvard University. said workplace bodies that deal with production issues, product quality, safety and health, training or voluntary dispute resolution should be "legal as long as they do not allow for the rebirth of company unions the law was designed to outlaw." Non-union workplace schemes "should not be lawful simply because they involve discussions of terms and conditions of

broad purposes of these schemes."

Prof Dunlop said the report provided an "agenda for balanced change". But the only union representative on the commission, Mr Doug Fraser, former

employment or compensation where

such discussion is incidental to the-

auto workers union president. denounced the proposal on participation schemes saying it would "be an invitation for abuse by employers". Union leaders expressed disappoint-

ment with other aspects of the report, saying it failed completely to address the issues of widening earnings disparities and stagnant wages in the US.

The proposed employee participation reform would still prohibit companies from setting up employer-dominated labour organisations. "It should be an unfair labour practice for an employer to establish a new participation programme or to use or manipulate an existing one with the purpose of frustrating employees efforts to obtain independent representation."

The commission's other proposals

include introduction of "prompt injunctions to stop employer discrimi nation against workers organising campaigns or negotiating a first contract and the creation of stronger dispute resolution machinery including the use of binding arbitration in some cases dealing with completion of a first contract.

Prof Dunlop and his colleagues said their report was designed to encourage more co-operation in the workplace between management and employees and some of them believe it will encour age collective bargaining rather than weaken it despite initial union hostility.

However, the Republican victory in the November 8 congressional elections means there is little early prospect of legislation to enact the union-friendly

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Arnoud De Meyer Associate Dean **Executive Education** 

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tium, last year won more air- orde	rbus said it won 125 firm rs last year, worth \$9.1bn. orders, from 12 customers,	its A330 Pratt & Whitney air- craft up to contractual specifi- cations. The turnover for	Sedgwick UK Limited, commented:	NameTitle: Mr/Mrs	/Dr./OtherFirst Name
US. com	pared with 38 orders won the consortium in 1993.	delivered aircraft was \$8.5bb - slightly lower than the \$8.7bb	"The programme was very action-	Job Title	<del></del>
had attracted more orders cand	us also had fewer orders celled last year than in	recorded in 1993. Its deliveries were lower last year than in 1993 because the	orientated. It will probably take	Company Name	
The consortium said it had total	i. Cancellations in 1994 lled 54, compared with 69 993. Thirty of last year's	1993 figure reflected orders made before recession hit the	about a year to know the full	Company Address	
orders last year, compared order with 46 per cent for Boeing. fami	rs were for its A330/A340 ly of aircraft.	US and Europe. Its 1994 deliveries were made up of 34	Danisha Dat 1 gr. 1111 th 11111	Town_	·
One industry observer said: Ai	rbus — which is jointly ed by Aerospatiale of	A330/A340s, 25 A300/A310s and 64 A320/321s.	which I will be implementing,	Postcode/ZipcodeCountry	

By Nancy Dunne in Washington

US human rights activists are urging Mr Ron Brown, the US commerce secretary, to express concern publicly about claims of tortures, killings and detentions in Kashmir and other abuses during his trade and investment mission to India next week.

In a letter to Mr Brown last week, Mr Kenneth Roth, executive director of Human Rights Watch, an international group, complained that the Clinton administration's decision to de-link human rights and commercial relations contributed to greater

Your impending trip to India provides an ideal opportunity to demonstrate a renewed vitality to the administration's 'unequivocal' com-mitment to human rights," he

He urged the secretary to meet human rights groups in India and express concern about several alleged abuses. These include Delhi's failure to prosecute security officials for "pervasive torture and summary executions in Kash-mir" and the role of police in the deaths of 113 members of the Gowari tribal community

Mr Brown, who is taking with him to India 25 executives, including several Indian America ns, is unlikely to offend the Indian government just as bilateral relations have

taken a turn for the better. Last month he defended the administration's human rights policies and acknowledged that "...there are, of course, occasions when strong public statements and actions of indignation and dismay are an absolutely appropriate

approach."
When President Bill Clinton de-linked China's trade status from human rights last May, he promised to produce a voluntary code of workers' rights principles for US companies

However, the business community was reluctant to agree to even a broad code which would not single out China. "American companies want the flexibility to continue to work overseas in ways that promote progress but don't them," said Mr Calman Cohen, vice-president of the Emergency Committee for American Trade, a group of 60 larg-

est US companies. Business contends that economic growth will ultimately counter human rights ahuses. "For every Taiwan or South Korea, in which economic growth has paralleled a gradual improvement in human rights, there is a Singapore, Indonesia, China or Peru, where economic growth bolsters an authoritarian regime," said Mr Roth. EU makers' anti-dumping complaint may encourage more European factories

# S Korea under fire on excavators

By David Traheme and

European excavator manufacturers have launched a long-expected anti-dumping complaint against their South Korean rivals - a move that could encourage the Koreans to set up more factories within the European Union.

The Committee for European Construction Equipment (CECE), which represents national associations across Europe, has filed the complaint - involving hydraulic excavators weighing more than six tonnes – with the European

It is understood to have

about 10 signatories, including J C Bamford (JCB), the largest UK-owned construction equip-ment producer. It underlines long-standing concerns within the European industry about imports of low-priced excavators from Korea.

Mr Alfredo Sandovar. CECE's general secretary, said expected to hear soon whether the Commission would open an investigation as a result of the complaint. In line with policy, the Commission yesterday would not con-firm it had received a complaint, and said no decision had been taken to open an

manufacturers became increasingly concerned about cutprice imports of Japanese excavators. In 1985 the Commission imposed anti-dumping duties ranging from 2 to 32 per cent on a number of Japanese man-

ufacturers.

The action, along with the forthcoming Single Market reforms and the need to be closer to customers, forced a number of Japanese manufacturers to accelerate plans for production within the EU. Komatsu established a factory at Birtley, in northern

trate on growing market share in Efta countries. In 1990, the duties against Japanese producers quietly lapsed when they came up for

But Korean manufacturers have only 5-7 per cent of the European excavator market with their value-for-money machines, far less than the 20plus per cent built up by the Japanese by the mid-1980s.

Euro Daewoo, the Belgianbased unit of Daewoo Heavy Industries, confirmed the big three Korean producers - Daewoo itself. Samsung Heavy Industries and Hyundai Construction Equipment - and the

However, it denied dumping excavators in Europe. Euro Daewoo is the Korean industry's only factory in Europe, sembling three out of Daewoo's eight excavator models. This would rise to five this

subject of the complaint.

year, it said, with production doubling to 380 units from Samsung, Hyundai and Halla import their machines, but Samsung is considering exca-

vator assembly sites in the UK. One observer suggested the Koreans would prefer to avoid the publicity surrounding a full anti-dumping case. One option would be to raise prices

few days later Beijing failed to meet its own year-end deadline

of re-entry to the General

Agreement on Tariffs and

Trade and founder member-

ship of the successor World

With talks to resume from

January 18-20 in Beijing, state

media have mounted a public-

ity campaign to defend China's

position - that it has made

rapid progress against piracy

but cannot wipe out the

Beijing's failure to close 29

south China plants - some

state-owned - that have been

pressing 75m pirated compact

discs a year, largely for export.

US publishers, film studios,

software groups and other

copyright owners have calcu-

lated their industry loses

\$827m a year to Chinese

Washington has denounced

Trade Organisation.

scourge overnight.

WORLD TRADE NEWS DIGEST

# Indonesia, Exxon in \$40bn gas deal

Indonesia and US group Exxon yesterday signed a basic agreement covering an estimated \$40bn investment in a big offshore gas project in the South China Sea. The project - the costliest offshore gas plan in the world - will see exploration and exploitation of liquefied natural gas (LNG) off Natura island, 1,100km north of Jakarta.

Exploration will be conducted by Pertamina, Indonesia's state oil company, and oil contractor Esso Exploration and Production Natura, an affiliate of Ercson. Both groups hold a 50 per cent stake in the project. The signing follows a record \$23.7bn in foreign investment approvals for Indonesia last year, triple 1993's \$5bn. Reuter, Jakarta

Nippon Steel plans Thai plant

Nippon Steel, Japan's largest steelmaker, has applied to establish a joint venture in Thailand to produce steel tubes for automobile and motorcycle manufacturers in the region. The company plans to tie up with Mitsubishi Corporation, two other Japanese trading companies and Thailand's Siam Steel Group, to set up the facility, which will launch production of 20,000 tonnes of steel tubes by the end of 1998.

Nippon Steel believes demand in Thailand for steel tubes is likely to because divisionally and the steel tubes is

likely to increase significantly with the growing shift of Japanese manufacturing to other Asian countries. The plan, which follows another planned venture in Thailand to produce an annual 800,000 to 1m tonnes of cold-rolling steel, highlights the growth of southeast Asian economies and the accompanying shift of Japanese manufacturing to the region.

As Japanese manufacturers, from car makers to consumer electronics companies, increasingly transfer manufacturing activies to lower-cost growth markets in Asia, suppliers are having to follow suit. Japanese steelmakers, which have seen their cost competitiveness battered by the yen's appreciation, are also facing growing pressure at home to bring prices closer to international levels. Customers in the motor vehicle and shipbuilding industries have started to buy lower-priced steel from Korean manufacturers. Michiyo Nakamoto, Tokyo

#### More air travellers in W Europe

West European airlines carried 11.5 per cent more passengers in November than a year previously, the Association of Euro pean Airlines (AEA) reported yesterday. Freight traffic grew 14.9 per cent over the same period. South Atlantic routes showed the strongest increase, with passenger traffic up 18.1 per cent. Passenger numbers on services within Europe grew 14.8 per cent and on routes across the north Atlantic by 12.2 per cent. Over the same time the number of available seats grew 5.2 per cent, which allowed load factors, a measure relating occupied seats to the number of seats offered, to rise 3.6 percentage points to 64.3 per cent. On north Atlantic routes load factors rose to 66.6 per cent on the back of a marginal cut in seats offered. The AEA represents most of West Europe's national airlines, some carriers in central Europe and some other large operators. Reuter, Brussels

#### Investment in India 'declines'

Foreign and domestic investments in India's industrial projects declined in real terms in 1994, according to a survey by the Centre for Monitoring the Indian Economy, an independent Bombay-based research agency. The survey, covering more than 3,000 industrial projects with a total envisaged investment of Rs7,764bn (\$247.57bn), shows a sharp increase in investment intentions but "very poor growth" in project implementation. While the investments envisaged in projects at the proposal stage had grown by nearly 46 per cent, those in projects actually being implemented grew by a meagre 4.4 per cent," the survey noted. Total investments had increased by 24 per cent over the previous year, but most of this was accounted for by new projects which had been announced but had yet to be implemented. Shiraz Sidhva, New Delhi

l Siebe said its Environmental Controls unit had signe joint venture with a Shanghai-based company to make and sell indoor controls systems in China. The Siebe unit is to provide £1.9m (\$2.96m) of investment in the venture, with partner Shanghai Automation and Instrumentation paying £1.3m. Siebe Environmental Controls Shanghai will be Siebe's third Chinese joint venture in the past 12 months and its fourth in total Reuter, London

Diversified trading company Loxley will install a cellular digital telephone system in Mandalay, Burma in a project worth Bt85m (\$3.38m). The installation will begin this month and is expected to be completed by October. Canada-based Northern Telecom will provide telephone installation and other equipment. Reuter, Bangkok

 Yamaichi Securities is considering setting up a consultancy company in China to advise Japanese companies which plan to invest in China, a Yamaichi spokesman said. Reuter, Tokyo

# China moves on trademark protection

England, while Hitachi formed

Fiat-Hitachi, a joint venture in

Italy. Others opted to concen-

war with the US over infringement of patents and copy-rights, said yesterday it aimed by next year to cut the time for registering a trademark to 12 months from 20, Reuter reports from Beijing.

A computer network of trademark management will become operational in 1996. Xinhua news agency quoted Mr Wang Zhongfu, director-general of the State Administration of Industry and Com-

merce, as saying. By the end of last year China had registered 460,000 trademarks, up 12.2 per cent compared with 1993. China was also pushing ahead with the agent system for trademark registration, in line with inter-national standards, Mr Wang said. He said 96 such organisations had been set up, including 17 dealing with foreign Special committees of trade-

mark agents were being set up to supervise trademark protection, Mr Wang said. China was trying to crack down on fake trademarks and cases of trademark violations, with more than 10,000 such cases uncovered in 1994, he said. Last week, Beijing ordered a



trous trade war with Washing-

ton and acknowledging the

government's failure to edu-

cate the public on the issue.

official said last week China had taken some steps to end copyright piracy and avert punitive tariffs but the steps were small. Piracy is central to the rift between Beijing and Washington, which on December 31 threatened to punish

China with stiff tariffs on \$2.8bn worth of its exports from February 4 unless it acts to meet US concerns. China pledged tit-for-tat sanctions if the tariffs are imposed.

US negotiators last month

Losses are not limited to copyright works. China has launched campaigns against

pirates who copy almost any sought-after product, foreign or local. Bootleg copies of Rolex watches, the Chinese banquet liquor Maotai, Lux soap bars, and Cherokee-model Jeeps

# Japan and US link in cable TV venture

Five Japanese and US companies are linking in a cross-border venture to ole iv operator for ne broadcast and communications services

in the Japanese market. Itochu, the trading company, Toshiba, the electronics manufacturer, Time Warner, the US media and entertainment group, US West, the telecommunications company, and Time Warner Entertainment Japan, are investing more than Y40bn (\$400m) to set up the company, Titus, and build up its

operations throughout Japan.
The deal is the second big Japanese-US alliance in the Japanese cable TV market after a joint venture between Sumitomo, the trading company, and TCI, the US telecoms company, announced at the end of last year.

Titus expects to push forward the development of Japan's cable TV market, which has significantly lagged that in the US.

Thrus will start cable operations in selected locations throughout Japan and aim to cover 2m households by the end of the decade. This amounts to 5 per cent of the total households in Japan and 10 to 15 per cent of those expected to be connected to multi-channel cable networks in that

Itochu and Toshiba will be the largest shareholders with a stake of 28.4 per cent each, followed by US West with 17.9 per cent, Time Warner with 15.4 per cent, and TWEJ with 9.9 per cent.

The new company will be a multiple system operator running its own regional cable operations as well as

investing in and managing independent

operations established by other parties. The regional systems operators in which Titus will invest are expected to construct cable systems in Japan using a combination of fibre optic and coaxia cable capable of handling various kinds of two-way services. The company plans to offer telephone services as early as

The venture between leading Japanese and US companies in the cable TV market highlights the growing interdependence of industries across national borders in developing multimedia busi-

However, it also reflects the Japanese reliance on the US in many areas of multimedia. "Japanese companies would not have been able to launch such a company on their own because they don't have much experience in the cable TV business," an Itochu official

said. Japan's cable TV market has lagged behind those of other industrialised countries because of stringent reg-ulations in place until early last year. The penetration rate of cable television in Japan is just over 5 per cent compared to over 60 per cent in the US. according to industry estimates.

Recently, Japan's Ministry of Posts and Telecommunications adopted a policy of supporting development of the cable television industry, which is seen as crucial for the emergence of multimedia industries

The ministry has raised the ceiling for foreign investment and provided low-interest funds for those installing optical fibre. The cable television market, which grew an estimated 20 per cent last year according to Itochu, is expected to grow more rapidly as a result of these changes.

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TURNIAN IAMARI

Investment banks in City cut more jobs

By Nicholas Denton

S.G. Warburg's announcement that it was scaling back its

By Nicholas Denton

S.G. Warburg's announcement should be laying off 15 staff in Lon
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Sachs of the US has made public signals, and six from the fixed-income operations of a reduction in employment as part of a cost-cutting back.

Apart from Warburg, only Goldman Sachs of the US has made public signals, and six from the same department of Kidder Perbody, the US house taken over be body, the US house taken over be constant. S.G. Warburg's amount of the first in the City of London to 350 in the past six months.

Warburg, which had given no hint that retrenchment would be so severe, Warburg, which had given no man that retrenchment would be so severe, said it would mean redundancy for about 180 people.

The dismissal of staff in the fixed-income area dwarfs the layoff of about 10 analysts and other employ-

plan for

regulator

lator for the profession.

The institute set up the

working party last October to look at the options for chang-

ing the present system of self-

regulation. The report was

published yesterday and was

presented as containing a

series of deliberately provoca-

tive options designed to stimu-

Mr Douglas Llambias, one of

the four authors of the report

and a leading accountant,

said: "We were unanimous on

the final recommendation.

Effectively it has been shelved.

"Now the new working

party has to look at all

options - it is a complete red

herring. This will do nothing

to improve the standing of the

Mr Keith Woodley, deputy

president of the institute, said

all the options were still on the table. He said that when

the report had been considered

by the institute's council con-

further work was needed.

ference it was recognised that

The preferred option envis-

aged a regulator "outside the

tancy bodies" for so-called

public interest cases involving

third parties such as share

holders or investors. Much

such work is done by the "Big

Six" firms. Under this option

smaller firms not involved in

such cases would be regulated

by a newly formed Practice

The new working party will

consult with outside bodies,

including the Department of

Trade and Industry, and the

Securities and Investments

Board, Mr Chris Swinson, a

partner of BDO Stoy Hayward

and working group chairman,

expects to present a "firm

recommendation" early in

Other options to be investi-

gated include preserving the

current self-regulatory scheme

or setting up a UK version of the US Securities and

Exchange Commission.

Review Scheme.

late debate.

watered down.

institute."

By Jim Kelly,

accountancy

debt and equity operations worldwide. It has also emerged that Bankers Trust laid off 25 employees in London late last year out of a total of 60 who were laid off worldwide.

Warburg's move will renew anxiety among City employees, particularly in the vulnerable operations dealing with bonds and other fixed-interest instruments. Depressed and volatile

Only a trickle of job cuts were disclosed, however, until the latest batch of announcements. Headhunters said investment banks were now more sophisticated in playing down the scale of job cuts, spreading them over longer periods and disguising them.

Warburg's action coincided with the news that Merrill Lynch of the US, despite dominating the dollar bond

Apart from Warburg, only Goldman Sachs of the US has made public significant cuts across the board. The investment banking partnership announced a scaling back of about 5 per cent in its worldwide workforce of 9,000 and it is understood that about 80 people lost their jobs in London. Goldman does not rule out further

reductions. Other known job cuts include 30 at Yamaichi International in London; 12 from the fixed-income operations of NatWest Markets, the subsidiary of the UK clearing bank; and six from the same department of Kidder Peabody, the US house taken over by Paine Webber.

UK NEWS DIGEST

days a week direct.

reached gradually.

Emiko Terazono, Tokyo

acted on only 13 deals worth £1.8bn.

Robert Rice, Legal Correspondent

1 Slaughter and May

4 Simmons & Simmons

3 Herbert Smith

5 Clifford Chance

6 Linklaters & Paines 7 McKenna & Co 8 Ashurst Morris Crisp

General Workers' History

Airline suspends

New York flight

British Airways has suspended the launch of a new daily

non-stop service between Birmingham in England and New

York after failing to reach agreement with cabin crew over

staffing levels. The airline was today due to introduce a

161-seat Boeing 757 aircraft instead of the current 219-seat

Boeing 767. The larger aircraft flew to New York from Birmingham four days a week via Glasgow in Scotland, and three

A recently launched five-day 757 service between Glasgow.

New York and Boston is not affected by the dispute, which is

between British Airways and the British Airlines Stewards and Stewardesses Association, a branch of the Transport and

The Birmingham service achieved its target of 100,000 pasengers in its first year, but British Airways said it did not sell

enough business-class seats. A survey of local business users showed that they disliked the Glasgow stopover, so it was decided to launch a direct service with the smaller aircraft. Mr

George Cooper, managing director of BA Regional, said: "We

cannot and will not increase our costs to operate a marginal transatlantic service which does not cover its own operating

Shell/Exxon platform reopens

The Brent Alpha oil platform in the North Sea was being

brought back on line yesterday after an eight-day closure,

operator Shell Expro said. The platform, which has an output

of 80,000 barrels a day, suspended output on January 1 because

of storm damage. The company, a joint venture between Royal

Dutch/Shell and Exxon, said full output capacity would be

Chevron said oil output from its Alba field was back at

normal levels of about 74,000 barrels per day after being partially resumed on Friday. It said it was operating safety

systems on the field manually and was therefore prone to

weather-related output stoppages until damage to a floating storage unit at the field can be repaired. The field was shut on

Power contract goes to Japan

Nichimen, a Japanese trading company, has won contracts to

provide wind generated electricity to the Non-Fossil Purchas-

Wind farms have been criticised as being "blots on the

within two to three months and to start operating the wind

farms by the end of this year. "It's a growing business interna-

tionally, and we intend to participate in further projects," said

a Nichimen official. Tomen, another Japanese trading com-

pany, has been involved in UK wind projects since 1993 and

plans to increase its output by 30MW by early next year.

Slaughter and May, the City of London law firm, has emerged

as the leading legal adviser to companies and banks involved

in UK public takeovers in 1994. The firm advised companies or

financial advisers in 16 deals worth £4.1bn (\$6.4bn), says

Acquisitions Monthly magazine, which ranks law firms by

value of the takeovers in which they acted as advisers. The

activity. Slaughter and May was also placed first in 1993, but

The firm topped the league table of lawyers acting for companies involved in takeovers. It was involved in 10 deals

worth £3.3bn. These included acting for the targets in the two

largest completed deals of 1994, the £766m takeover of London

Weekend Television by Granada and the £577m bid by GKN

for Westland Group. The increase in merger activity during

1994 was underlined by the fact that eight firms were involved

in deals totalling more than £1bn compared with three in 1993.

No. of deals Value (Em)

4,148 3,587

1,917

1.506

1,466 1,414

1,287 1,226

523

Legal advisers for takeovers in 1994

Lawyers' league announced

December 31 when it suffered storm damage. Reuter

costs." Andrew Bolger, Employment Correspondent

launch of daily

About 100 Kidder Peabody staff in accounts, personnel, information tech-nology and other support departments are in limbo as Paine Webber decides whom to employ after its acquisition. Some investment banks such as Lehman Brothers have sought to cut expenses like Christmas parties and taxi fares while retaining staff.

#### Judge condemns 'great lack of security' exploited by 'men of extreme danger'

# Warnings over escape prison 'unheeded'

By Stephen McGookin

The escape of three dangerous prisoners last week from Parkhurst prison on an island off the south coast of England An author of a radical report commissioned by the Institute of Chartered Accountants in should not have happened if warnings on security had been properly heeded, Britain's England and Wales yesterday Chief Inspector of Prisons said accused the institute of shelvyesterday.

ing a recommendation to As the three men were being questioned yesterday after being recaptured on Sunday establish an independent regu-But the institute said the night, Judge Stephen Tumim author was "unduly sensitive" called for a full independent and that the proposal would be investigated, with several inquiry into the escape to run alongside the internal Prison others, by a new working Service investigation.

> "This is a far more serious escape than Whitemoor [last September six prisoners escaped briefly from Whitemoor prison in Cambridgeshire]," he said.

"These three men of the most extreme danger got out in circumstances where there appears to have been a great lack of security and a great many warnings. Judge Tumim said he wrote

Britain's opposition Labour party yesterday called for a new Banking Act to increase competition.

increase the flow of finance for

small businesses and ensure

more equitable treatment of

retail customers, write Kevin

Mr Gordon Brown, the par-

ty's shadow chancellor (chief

finance minister), said the

party was considering a wide-

ranging bill "so bank custom-

cent rise in charges during the

Mr John Major, the prime

minister, was accused yester-

day of risking the further mar-

ginalisation of the UK in the

European Union in order to

placate Conservative Euroscep-

tics, our Parliamentary Corre-

The charge was made by

Lord Richard, the Labour

leader in the House of Lords,

the unelected upper House of Parliament, when the bill

authorising a £75m increase in

the UK's net contribution to

the EU in the coming financial

year was given a second read-ing. He said undertakings

given by Mr Major meant that

spondent writes.

Mr Brown said the proposals

recession get a better deal."

vno nave suffered a 50 per

Brown and John Gapper.

Five days on the run

Jan 3 Hole found in perimeter feince at Parkhurst Prison. Roll check confirms that murderers Keith Rose, aged 45, and Andrew Rodger, 44, and arsonist Matthew Williams. 25, missing. They were last seen two hours earlier.

Jan 4 Men are found to have used master key to unlock gym door during fitness session, moving on to workshop where they assembled ladder made in metalwork lessons. Then cut hole in perimeter fence and scaled 8m outer wall. Prison Service admits that breakout was made possible because of "failure to follow basic security procedures". Locks changed throughout prison.

Jain 5 Prison officers claim that wing where the three were held was in effect run by Inmates with drugs freely available. Master key used in escape found near phone box 50m from prison.

Jan 6 Prison Service head Derek Lewis accuses leaders of Prison Officers' Association of telling Parkhurst members not to co-operate fully with the inquiry by Service. Association accuses Lewis of "low politics".

Jan 8 Rose and Rodger recaptured on the island after off-duty prison officer spots the three escapees on road near leny terminal serving English mainland. Williams caught 90 minutes later by unarmed special constable,

to Mr Michael Howard, the home secretary and Mr Derek Lewis, director-general of the prison service on October 7. warning that basic procedures such as searches and spot checks were not being carried out properly.

Labour seeks stiffer bank law

under consideration included:

A statutory ombudsman

with powers to redress griev-

Contracts giving customers

legally enforceable rights to know the details of charges in

• Forcing banks to publish a

"basket" of prices, to allow

Increasing competition for

financial servicing of small

businesses by setting up

regional development agencies

Opening the bank clearing

ish banks." Labour officials

conceded later that the clear-

the UK would veto any federal-

ist proposals made at next

year's inter-governmental con-

ference which might give rise

to further demands from

Eurosceptics for a referendum.

members of the EU now knew

that Mr Major's negotiating

position would be to "avoid

others pay any attention to

what Britain says at that con-

ference?" Lord Richard asked.

"This is one more step in the

increasing marginalisation of

Britain in its relations with the

EU." While the government

"Why on earth should the

trouble at home" at all costs.

Lord Richard said the other

banks other than existing Brit- crucial part of the economy

with financial arms.

customers to compare costs.

advance.

PM accused over EU

day that if that was the case then the breakout should not have happened. Problems mounted for the beleaguered Mr Howard yester-

ing system is already open to

Mr Alastair Darling, the par-

ty's spokesman on the City of

London, said the party also

favoured a regulator for the

banks similar to those which

can set a pricing regime for

utilities such as water, gas and

electricity.

He said the regulator would

be able to set limits on charges

and interest rates if profits

were excessive. But Labour did

not want to "sit in the board-

room in some metaphysical

sense" by deciding the right

and competition among them

had lost its majority in the

Commons through making pas-

sage of the bill a confidence

issue, Lord Richard urged

backbench Labour peers not to

seek to add to its difficulties.

He said any amendments approved by the Lords to a

"money bill" would have no

practical effect and made clear

they would not be supported

Baroness Chalker, a Foreign

by the Labour leadership.

£250m a year by 1999.

Joe Rogaly, Page 14

non-British banks.

Mr Howard has since said day when three low-to-medium risk prisoners escaped from the warning was acted upon, but Judge Tumim said yester-

Littlehey prison in Cambridge-The judge said he had also

highlighted the fact that security hardware at Parkhurst had been "grossly defective". The prison's governor, Mr John Marriott, has claimed that his requests for a touch-sensitive alarm on the perimeter fence had been repeatedly stalled.

As the three men were being questioned about the breakout and their five days on the run, it emerged that they had attempted to make good their escape in a stolen light aircraft, but it had failed to

The part-time police officer who captured one of the men said the escapers' morale was very low. "I don't think they had very much idea how they were going to get off the island." he said.

 A police charity yesterday launched a £1m (\$1.56m) appeal to help the dependants of officers killed or maimed while on duty. It is the first nationwide appeal by the Police Dependants' Trust, and it reflects the rising demand on funds as attacks on officers increase. The Trust was set up in 1966 after three officers had been

Judge Stephen Tumim; called for independent inquiry

#### ing Agency and the generating companies ScottishPower and Scottish Hydro. The Japanese company will set up a joint murdered in west London. venture with Micon, a Danish wind power generator manufacturer, and invest Y2bn (\$20m) to build wind farms in Helms-Financier was dale, northern Scotland, and Pendine in Wales with a total power generating capacity of 16MW. landscape" by some environmental groups, but Nichimen said it expected to receive planning permits from local authorities

Mr Muhammed Naviede, the anks, a London jury

Mr Naviede, whose company collapsed in July 1991 owing a total of about £100m, fed the same lies to the banks to continue his large-scale borrow-ing, said Mr Richard Latham.

prosecution of Mr Naviede brought by the Serious Fraud Office. Mr Naviede faces eight charges including two of obtaining £4m by deception from NMB Postbank, a Dutch bank, two of obtaining credit facilities for £41m by deception from NMB Postbank and Girozentrale und Bank der Osterreichischen Sparkassen

Office minister, confirmed that The charges also include one Britain's net contributions to the EU would increase to about of fraudulent trading and others of making false statements to Arrows' creditors and its

all the charges against him. Mr Latham said the core of the fraud was "breathtakingly simple". Arrows purported to be a company which provided trade finance. However, from the beginning of 1990 onwards there was a huge misrepresentation about the true nature of

been much lower because the banks would have stopped

An intricate web of interdependent companies was created by Mr Naviede to hide the truth of what was going on, he continued.

maintained the deception by leading an opulent lifestyle which beloed suggest the company was extremely successful, Mr Latham alleged. The trial, expected to last six

months, continues today.

# **'unscrupulous**

# liar,' jury is told

By John Mason, Law Courts Correspondent

former chairman of the Arrows trade finance group, was a thoroughly unscrupulous liar" who masterminded a big fraud against a number of yesterday.

prosecuting.
Mr Latham was opening the

Aktiengesellschaft, an Austrian bank.

auditors. Mr Naviede denies

dusiness, solvency and profitability of Arrows, he alleged. "Because of this misrepresentation it continued to trade and increase its borrowing month after month, putting creditor banks at greater and greater risk," Mr Latham said. Had the truth been known. the losses the company ultimately sustained would have

lending Mr Naviede money, he

The former Arrows chairman

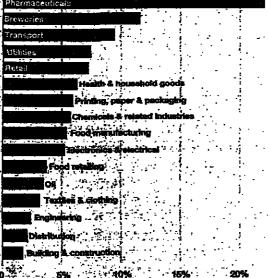
#### 9 Lovell White Dumant 10 Gouldens Ranked by value of transactions based on completed and falled offers for UK public component

UNIVERSITY TO TRAIN JOBLESS: Plans for a university for the city of Gloucester in western England were unveiled by local organisations. The new university will aim mostly at reskilling aerospace and industry employees in the area who have

WOODLAND GIFT: More than 40 acres of land north of Billingham in north-east England are to be donated by ICI Chemicals and Polymers to Cleveland County Council to be turned into woodland.

SUPERMARKET PROBE: The Office of Fair Trading should investigate "local and regional monopolies" held by supermarkets. says the Institute for Public Policy Research, a leftwing thinktank. In some areas two or three retailers control over half of retail space and nearly two-thirds of grocery sales, "clearly passing the 25 per cent of market share which should trigger an investigation," says the institute.

Pharmacouticals win biggest profits Profit margins by industry group in 1994



Brewing companies have some of the biggest profit margins of any industrial sector, says a business survey, our Economic Staff writes CCN, a Nottingham-based credit management and data gathering group, says food retailers, textile groups and engineering companies all have relatively low profit margins.

Pharmaceutical companies Trate of return on investment.

els are surprisingly low.

CNN calculates that there is still considerable spare capacity in the economy because the proportion of sales in relation to fixed assets is

#### Transport spending shortfall rapped which responded expected traf-

By Charles Batchelor. Transport Corresponden

Spending on transport infrastructure in England, Scotland and Wales by municipal authorities will fall £1.9bn (\$3bn) short of the £4.7bn needed in 1994-1995, says a survey by the Institution of Civil Engineers.
The institution said the find-

ings underlined how badly transport investment in Britain compared with that of

most other industrialised countries. The institution said international comparisons showed that the UK spent less than the European average on its land transport infrastructure.

Switzerland spent more than £1,800 per head of population between 1980 and 1989. Germany spent more than £1,300 and France just less than £1,000. The UK spent nearly £600 compared with the European average of nearly £700. Most of the 95 authorities

fic volumes and congestion to increase this year. The survey revealed shortfalls of nearly £1bn in spending on transport infrastructure and of almost £900m in maintenance spend-

Professor Tony Ridley, the institution's vice-president. said: "These results must be a source of anxiety for all concerned with the future of transportation in this country. Coming on top of substantial cuts

indicate a degree of underfunding which will increasingly constrain the nation's quality of life and industrial competitiveness." Among the local authorities, 63

per cent said public transport was the sector on which they placed the highest priority for development and 41 per cent important area. That compared with 49 per cent which high-lighted road spending.

# City properties attract influx of overseas investors

By Simon London

The past year was the seventh in succession in which overseas investment in UK commercial property topped £1bn. AP Fonden, the Swedish national pension fund, has been one of the most active foreign investors. Last month it acquired Milton Gate, an office block at Moor Lane in the City, from Land Securities for £76.5m.

The purchase was AP Fonden's second big City property deal last year. In summer it paid £61m for Angel Court Tower near the Bank of England. Mr Carl Johan Aberg, managing director, said the fund would make further investments this year if it could find suitable properties.

The main growth in the UK's commercial retailers taking the lead in boosting their property market in the next six months is expected to come from the retail trade. Robyn Chalmers writes. The first survey by the Confederation of British Industry, the country's biggest employers' organisation, and property consultants Grimley J.R. Eve suggests that there is likely to be an overall net decline in demand in the period.

Mr Sudhir Junankar, CBI associate director of economic analysis, said the trend towards demand for property.

on yields as low as 5 per cent.

German open-ended invest-

The Milton Gate acquisition shows that overseas funds often have different tastes from their UK counterparts. AP Fonden bought the property on a yield of 8.85 per cent. while most UK funds are buytransactions last year. ing buildings let on long leases

appeared on the scene in 1991. have also remained keen buyers of central London property. In 1993 German investors commited £730m to the market and made some of the biggest

Perhaps the biggest City investment deal last year came from German fund Difa, which

the John Lewis retail group. The inflow of overseas

money into the UK commercial market totalled about £1.8bn last year, almost all of it channelled into central London. This is well below the inflows ment funds, which first paid £106m for 6-8 Bishopsgate of more than £35m in 1988 and

investment in the late 1980s was partly the result of deregulation overseas. The appearance of Swedish

and Japanese funds in London in 1989-90 was facilitated by loosening of regulations, which allowed them to buy properties abroad for the first time. The encouraging sign is that

overseas funds have continued buying in London even though the first flush of excitement surrounding deregulation has passed. As the market improves foreign investors are turning their attention to development as well as buying

finished buildings. Development Securities, the developer run by Mr Martin Landau, has backing from German fund Haus Invest for its

of offices at Silk House and Milton House in the City. The space has been pre-let to solicitor Linklaters & Paines so the project is low-risk for the

It remains to be seen whether overseas funds will be willing to back speculative developments - the area where UK banks and pensions funds still fear to tread.

The next wave of investment could come from east Asia. In 1993 investors from the region committed £400m to UK commercial property.

The total for last year was thought to be almost as high. However, east Asian investors are more active in residential rather than commercial prop-

are the most profitable of British groups, with the highest CCN compiled information from the accounts of the top 1,000 UK companies to calcu- only half of its late-1980s level.

. .

late the financial health of sectors of the economy. It concluded that the corporate sector is in an extremely strong position. Gearing levels are at their lowest for five years, corporate profitability has risen strongly and companies are very competitive. Business confidence remains muted, however, and investment lev-

25%

property requirements was in line with the

positive investment intentions signalled by last

month's CBI distributive trades survey. He

warned that the outlook for growth in

consumer demand remained modest. Mr

Alistair Voaden, senior partner at Grimley J.R.

Eve, believed the survey showed that business

optimism and output were increasing, but that

had not yet created an overall net increase in

in June. In July Despa, another German fund, paid £104m for the Victoria headquarters of

# **Upbeat** mood for 1995

mali and medium-sized UK enterprises are more optimistic about prospects for the current year than they were at the start of 1994.

They are more upbeat than es in the European Union as a whole, and markedly more so than those in France and Germany. But they may be missing out on new export

opportunities.
These are some of the initial findings from the third annual European Business Survey, car-ried out by Grant Thornton International and the economic consultancy Business Strategies

Full results of the research carried out in October and November on the basis of 5,000 replies from companies with a turnover of between Eculm (£780,000) and Eculom, will be published in Brussels in

May.

The UK optimism is most notable for the key indicators of turnover, employment, profitability and investment. Threefifths of the UK businesses polled were expecting to increase profitability, compared with just 46 per cent for the EU as a whole.

Most UK companies also expect to see more spending on training, advertising and investment in new plant, equipment and buildings.

Only in exports and research and development are UK expectations lower than elsewhere in the EU: 20 per cent forecast a rise in exports, against 29 per cent across the EU. "It is clear that SMEs in the UK are still not maximising export opportunities to the same extent as those in the EU." says Andrew Godfrey, head of growth and development services at Grant Thornton.

Conversely, he adds, "the stronger economic climate is generating expectations of higher selling prices among nearly half of UK small and medium-sized enterprises. This is surprisingly optimistic and many may find that such widespread increases cannot be

Tim Dickson

The demise of South Thames Tec raises serious questions, writes Rhodri Morgan

# quasi-quango exposed

hould we be sad or glad about the South Thames Training and Enterprise Council going into receivership? It is the first of these neither chalk nor cheese animals to go into insolvency. There are 82 of them in England and Wales, and another 22 Local Enterprise Companies (Lecs) doing a similar job in Scotland.

Should we accept it as an oppor-tunity to think through what Tecs really are? Are they quangos? Are they private companies? Or are they sub-sections of the Department of Employment? If the answers to those questions had been clearer from the beginning, perhaps the South Thames Tec might not have gone under so ignominiously.

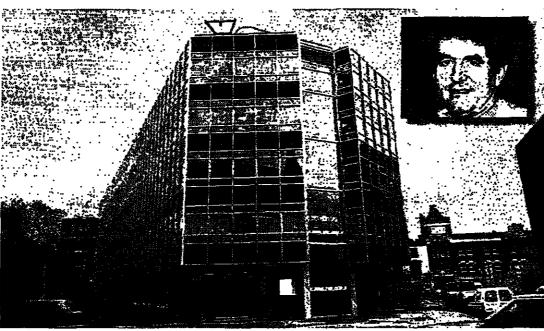
The Tecs are the victims of a "double message" from the govern-ment. Nominally they are companies, so they must be more independent than the quangos. At the same time, when they are being audited and monitored, they are no more than extensions of the civil service departments which sponsor them.

A Tec is a private company limited by guarantee. Its chairman is chosen by its own board and not by the secretary of state. The board itself is self-nominated. The secretary of state sets criteria for membership but does not choose the individuals. They simply "emerge" from the local employer community, although not elected by nor accountable to them.

The Tec generally receives a oneyear contract from the department to administer training programmes in its own geographical area, in this case central London. This includes both the standard government youth and adult training programmes and any specialist skill-based schemes specified by local

A typical annual budget for a Tec would be £20m of taxpayers' money. The Tec does not earn that money; it receives it from the department and has to account to parliament for every penny. And there is the rub. It pays the training companies to provide the training - not with the Tec's own money but with "our" money, voted by parliament. That is where the vaunted independence and operational freedom of the Tec breaks down.

Unlike a Tec, a true quango's board members and chairman are nominated by its sponsor - the secretary of state. The board then appoints a chief executive. He or she then takes over financial



South Thames Tec: lost between being a private company and an extension of a government department, says Morgan lineet

responsibility for the annual budget voted by parliament for the quango. The chief executive is the accounting officer.

That is where the title of quango comes from. It stands for quasiautonomous non-governmental organisation. Quasi-autonomous refers to that transfer of financial responsibility for the taxpayers' money from the government depart-

fter nearly two years of

L service providing the

framework for a pan-London

by July.

network of advice and support

services should be available to

government to Business Link

London, which will act as an

Links throughout the capital

umbrella over nine local Business

Finalisation of the contract for the

initiative, which draws together the

plethora of agencies providing such

negotiation with the Department of

support, depends on a successful

Trade and Industry over finances.

greater London's 200,000 busines

wrangling, a new one-stop

Approval has been granted by the

responsibility never actually takes place, which is why the term quasiquango is more appropriate. The South Thames Tec accounting officer - a parliamentary term for the official with whom the buck ultimately stops - is not its chief executive, nor as you might have thought, its finance director. It is of finance. good old Sir Humphrey, the permanent secretary of the Department of

Business Link London is seeking

about £4.5m a year for the first

would cover the provision of

networks and London-wide

Approval has not yet been

granted to all the local Business

provide personal business advisers

who visit companies, assess their

needs and refer them to specialist

The establishment of a Business

Link organisation in London, as elsewhere, has involved turf battles

Links in the capital, which will

marketing.

three years of the initiative. This

common services for the nine local

Business Links that are planned for

the capital, information technology

receivership - and they have already reached £2m - the public accounts committee will want to cross-examine those responsible. The only possible person to get the "invitation" to appear will be the permanent secretary and his head

That problem is at the heart of the "double message" received by all of the Tec board members when they took up the reins four or five years ago. "You are all managing

London set for wider links

between the agencies which the DTI

wanted to come together. Partners

included chambers of commerce

and Tecs, which deliver publicly

funded training programmes and stimulate enterprise. The partnerships have been fashioned against the wishes of some chambers of commerce, fearful they might lose members and their reason for existence. Some Tecs in London only joined the pan-London initiative after the DTI, which funds Business Links, refused to let them provide their support services independent of a

siness Link organisation. Lisa Wood directors or chief executives - not personnel managers," the permanent secretary effectively told them. "You know how to run a business. I don't tell you how to run your business. Run this Tec as you would

your own set-up. "P.S. Any breach of civil service rules when you order three ha'pence of paper clips will be regarded as improper use of money. It could result in my public humiliation by the National Audit Office or the committee of public accounts. P.P.S. That applies as well to any of the scores of training companies you sign contracts with. So watch

The Tecs do not, therefore, have any financial or audit autonomy at all. They are less independent than the quasi-autonomous quangos. They are simply extensions of the civil service. As the saga of the administrative receivership of the South Thames Tec gradually works itself out, all these paradoxes will come to the fore. It must now be time for a rethink.

Are the directors of a Tec liable in a receivership? What are the respec tive financial responsibilities of the board, chief executive and finance director relative to the permanent secretary of the department?

If the board of the South Thames Tec was heading for the rocks, why did no enterprising group of local notables in the employer commu-nity seek to oust them and take over the franchise? Is receivership the only answer to a Tec in trouble? Why is there never any competition to take on a Tec franchise? Are they, in fact, localised private monopolies commanding and controlling the taxpayers' millions?Do they have a legitimate franchise?

The Tecs are by no means alone in having such an ill-thought out quasi-quango status. What are grant-maintained schools after all? What is the embattled student loans company? What are GP fundholder

practices? The government has a taboo on creating more civil service jobs. Now it has a taboo on creating more quangos. It certainly does not want more nationalised industries. What does it do when it wants a public service job done? It creates quasi-quangos. Now nobody knows who carries the can when anything goes wrong. And it is, after all, our

The author is Labour's front bench spokesman on Welsh affairs.

#### investor workshops ready to roli

Venture Capital Report, the Henley-on-Thames-based company-marriage bureau that brings together entrepreneurs and potential investors, is holding a series of workshops on investing in unquoted companies and start-ups.

The organisers say they will be drawing from 16 years of successes and failures and on the experience of Lucius Cary, VCR's managing director, who has run a small seed fund for 10 years. Subjects to be covered include how to structure a deal. the types of legal agreeme and what happens when a company needs to come back for second and third rounds of capital.

The day-long workshops will run monthly with the first on January 26. Cost £150, details from VCR on 01491 579999.

#### Natwest cash card for businesses

National Westminster Bank has introduced a cash card for businesses enabling limited liability companies to withdraw up to £250 any time there is money in their account. The cards can also be used to check account balances, and order statements and cheque books.

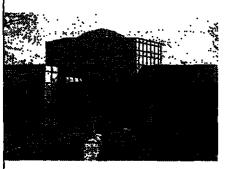
#### Brushing up on PR skills

An ex-Sunday Mirror journalist is one of the speakers at Getting to Grips with Public Relations, a seminar for small businesses run by the PR firm Holder Swan. The one-day event covers all basic PR skills including campaign planning, writing press releases, capitalising on strengths, organising pictures that appeal to the press and media interviews. The advance hype talks about delegates being told "how to improve their chances of seeing their press release transformed into column

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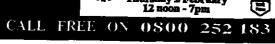
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Expressions of interest should be made in writing to:-Dr Richard Walker The closing date for receipt of applications is:- 27th January 1995

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ment, the US software group.

ary 1, has been vice president

in charge of Lotus Develop-

ment's European, Middle East

His appointment is part of

the strategy being put in place

by David Rogers, Amstrad's

chief executive who was

recruited from Philips in

August. Rogers plans to turn Amstrad into a holding com-

pany with operating subsid-

iaries in the consumer elec-

tronics, telecommunications

and personal computer sectors.

Finance moves

Amstrad has made a number

and African operations.

investor works ready to roll Feminica appeal fiction to the manufacture of the m Menter on another than properties of the best of the the extinct it undiane Angelfrante a mill stilled de

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Natwest cash a for businesses

introduced a cash cash Busine Act Challing Lloyds Bank has appointed flability and an entropy of Gordon Pell (above) to a newly ap in Land with the ten created post to be in charge of Treated post was the making operations. cards can also be used to Pell, 44, says his role is a statements, and theget bilities previously spread among a number of jobs; he

company for smalleress SWAN The savations: all basic Pl. skills that CHEPRIES TORRISMENT Biens Trienes (apares miretageths of participant tions appear to the living andia internena biber home laiks . Aut de 🚎 with the transport Challeng of Serior (1975) PROPERTY PROPERTY.

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January : Maybe L. ...

> will be answerante the Lloyds cient running of the Lloyds PR skills

> be to put teeth into the various An ex bailed himoge service initiatives we have to the of the speakers been undertaking for the past to teting with Public couple of years," he says. He will also set operational two by the intermediate standards measuring the service the bank delivers to customers, to put alongside customer reactions to levels of

branch network. "My job will

The creation of the new post comes as Lloyds is reviewing the way the different business elements of the bank relate to each other within the organisa-

The customer in the branch should not, however, bank on immediate and sharp changes in how Lloyds behaves; Pell believes the greatest impact on customers will be in an

of recent acquisitions includ-ing the purchase of Vigien, the personal computer manufacturer last year, and Dancall Telecom, the Danish telecommunications equipment manufacturer. Ace represents the core of the old Amstrad consumer electronics business which has suffered as a result of fierce price competition in

the high street. In November, as part of Amstrad's new strategy, Amstrad Business Direct was launched to sell Amstradbranded personal computers and facsimile machines direct to customers instead of through high street retailers. Amstrad recruited Lindsay McEwan, from BBC Direct, to

Bailey, 46, has spent the past

absence of - or at least reduc-

tion in - errors, rather than

through a dramatic shift of pol-

icy. Alison Smith

■ Foreign & Colonial has found a new Indian chief. Jeff Chowdhry has been lured away from BZW Asset Management to be head of the Indian equity desk at For-eign & Colonial Emerging Markets in London.

Chowdhry, 34, spent seven years at BZW where he managed the \$500m New York listed India fund, the largest of its kind in the UK. His decision to move to F&C, where he will manage the \$165m Indian Investment Company SICAV, as well as have respon sibility for investment activities throughout the sub-continent, was motivated by a desire to be part of a group dedicated to emerging markets. Chowdbry replaces Sanjit Talukdar, who set up the India fund and is returning to India

to join his family's business. Chowdhry believes that in spite of the poor performance of Indian equities last year the country's main stock market in Bombay recorded a new nine month low last week the climate is improving. John

■ Colin Cornwall, the independent chairman of the Mirror Group Newspapers Pension Scheme, has retired after nearly three years in the post. Cornwall, an actuary, was appointed following revelations that pension schemes controlled by the late Robert Max-

GREETINGS CARD

six years with Lotus which he joined from Digital Research, another US software group (now part of Novell) where he was senior vice-president in

charge of Europe. Digital Research supplied the operating system software for the first Amstrad personal computers launched in the mid-1980s. Previously Bailey worked for Tektronix and the Ministry of Defence.

According to Rogers, Bailey will have overall responsibility for Ace and will be assisted by a number of other managers recently or now being recruited. Today Ace accounts for approximately 45 per cent of Amstrad, and these appointments are therefore key to the rejuvenation of the group.' Paul Taylor

ued at over £440m. Cornwall has presided over the MGN Pension Scheme while efforts are being made to persuade financial institutions and others who did business with Maxwell to make up the shortfall in the various schemes.

Cornwall's replacement is Philip Sheridan, a former director at Norwich Union, the mutually-held insurance company. Sheridan retired from Norwich Union on his 60th birthday in August but remained with the company until the end of December. Norma Cohen

■ Sykes Wilford has been appointed an md at BANKERS TRUST's global investment ent group; he moves from Chase Manhattan in

■ Sally Marshall, formerly deputy md of pension funds at Henderson Administration, has been appointed institutional marketing director at HILL SAMUEL Investment Management, where she had previously worked for eight

■ Charlotte Bruce, formerly director of manpower planning and executive development at BZW, has been appointed md. UK human resources, at NATWEST Markets. ■ Mike Hines, settlements director is also appointed finance director of

WINTERFLOOD SECURITIES

when David Codd takes early

■ Robert Mee, general manager of central financial services, has been appointed to the board of NWS BANK.

#### Bodies politic

Hugh Harris, who took early retirement last November after a life-long career at the Bank of England, has re-emerged as director of operations for London First, the business-led initiative promoting the UK capi-

Harris, who says he has long been interested in "London and ethnic minority issues", got in touch with chief execu-tive Stephen O' Brien when he knew he would be leaving the Bank. He describes the new four-day-a-week job as "helping [O'Brien] do what he does" This will principally involve internal administration as well as putting to work his own knowledge and City contacts.
In his last post as associate

director responsible for corporate services, Harris was the Bank's representative for Business in the Community. In a personal capacity he is also special adviser to the board of the City and Inner London North TEC, and is expected shortly to be appointed a part-time commissioner at the Commission for Racial Equality. Katharine Campbell

John Brown, VAT consultant at Binder Hamlyn, has been appointed to the panel of VAT AND DUTIES TRIBUNALS.

Geoffrey Shindler, a partner in Halliwell Landau, has been elected national chairman of the SOCIETY OF TRUST & ESTATE PRACTITIONERS.

Ina Barker (below left), who

recently took early retirement as group risk and insurance manager at Fisons, has been appointed executive director of The ASSOCIATION of RISK MANAGERS in INDUSTRY and COMMERCE, which represents risk managers and insurance buyers from some of the UK's largest companies. She takes over from Alan Fleming, who has been on secondment from ICI Insurance.

■ Robert Binyon (below right), formerly md of Tokai Bank Europe, has been appointed director of the financial markets department of the COMMONWEALTH DEVELOPMENT CORPORATION.



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**WINDING UP PROCESS** 

PUBLIC BID Nº 4/94

NATIONAL AND INTERNATIONAL

#### **PROROGATION**

Offers for the opening of Public Bid 4/94 are deferred until February 16th, 1995, at 11 a.m. The corresponding act will take place at the Bid Opening Bureau of the Supplies Manager's Office, Office 602 in the mentioned ad-**PURPOSE** 

The selection of a Company or an Advisory Consortium in order to prepare a "PRINCIPAL PLAN" and a Project of "A SEA & RIVER TER-MINAL FOR PASSANGERS" for North Dock Area, Port of Buenos Aires, Argentine Republic.

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LEGAL NOTICES UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF TEXAS DALLAS DIVISION

FIRST CITY BANCORPORATION OF TEXAS, INC.,

Case No. 392-39474-HCA-11 Chapter 1

# NOTICE TO ALL PARTIES IN INTEREST AND EQUITY SECURITY HOLDERS OF FIRST CITY BANCORPORATION OF TEXAS, INC. OF THE HEARING TO CONSIDER APPROVAL OF PROPOSED PLANS OF REORGANIZATION

All creditors of First City Bancopropriation of Texas, Inc. 17First City 1, shareholders and other parties in interest, including all holders of First City Bancoproration of Texas, Inc. common stock. First City Bancopropriation of Texas, Inc. common stock. First City Bancopropriation of Texas, Inc. Series B Preferred Stock, First City Bancopropriation of Texas, Inc. Series B Preferred Stock, First City Bancopropriation of Texas, Inc. Series B Preferred Stock, and the Instendent crosses for the 13 1484 Notes due September 13, 1992, the Finating Rate Notes and the Instendent Control of Press, Inc. 18 Preferred Stock and Press (Inc. Series B Preferred Stock, and the Instendent Control of Press, Inc. 1994, the Bankrupery Control of Press, Inc. 18 Preferred Stock, I

Discionus Statement filed by the Official Committee of Unsecured Creditors for First City Bancorporation of Texas, Inc. (the "Creditors" Committee"), (collectively the "Plan Proponent Discionus Statements") in committing adequate information under section 1125 of the Bankrupter Code.

PLEASE TAKE FURTHER NOTICE that a heating the "Confirmation Hearing") will be held to colorisdre confirmation of the plan of reorganization for First City field pointly by 1-Heart Corporation, Furst City and the Equity Committee, and the plan of reorganization filed by the Official Committee of Unsecured Creditors for First City Bancopposation of Texas, Inc. the Official Committee of Unsecured Creditors for First City Bancopposation of Texas, Inc. the Official Committee of Unsecured Creditors for First City Bancopposation Flores The Engineers 11th Creditors Committee of Unsecured Creditors for First City Bancopposation of Texas, Inc. the Official Committee of Unsecured Creditors for First City Bancopposation Flores The Honorable Harold C. Abramson. United States Bankropey; lotting for the Northern District of Texas, United States Courfbause, 1100 Commettee Street, 14th Floor, Dallas, Texas 5324. The Confirmation Hearing is a state of Confirmation Hearing.

PLEASE TAKE FURTHER NOTICE that on January 30, 1995 at 9:15 a.m. the Count will commence the Confirmation Hearing and begin bearing cridence with respect to compressive and settlement agreements incorporated into any of the Competing Plans.

PLEASE TAKE FURTHER NOTICE that all objections to any or all of the Competing Plans in order to be timely must be filed with the Clerk United States Bankropecy Court, 1109 Commettee Street, Room 12A2b, Dallas, Texas 75342-1496, and a copy delivered to the following parties of as to be received no hier than 4:00 p.m. (Dallas, Texas 1500, Dallas, Texas 75201, 16) Well Cottal & Manges; I Alternation: D. Baker, Esq.), 700 Louistand, Sunte 1600, Honoron, Texas 77002. Attorneys for J-Hawk Corporation, (c) Akin, Gump, Strauss, Haute & Field, LL. P.

(1) Office of the United States Troster (Attention: George McElreath, Esq.), 1100 Commerce Street, Room 9C60, Dallas, Teazs 75242.

PLEASE TAKE FURTHER NOTICE that in order to be considered at the Confirmation feating any objections to confirmation of any of the Competing Plans must be in writing and must relating any objections to confirmation of any of the Competing Plans must be in writing and must relating to the state of the state of the objection.

PLEASE TAKE FURTHER NOTICE that, not accordance with Rule 3017(a) of the Federal Rules of Bunkemptey Procedure, any party in interest may obtain a copy of the Omnibus Disclosure Statement, and each Plan Proposers? Josefours Statement, from the Cert. United States Bank-tupkey Court, Northern District of Tease, Dallas Division, Room 12A24, 1100 Commerce Street, Dallas, Texts 75242 daring regular business bours.

(s/ Sixphen A. Goodwin Stephen A. Goodwin State Bar No. 06186500 Larry T. Bates State Bor No. 01906990 CARRINGTON, COLEMAN, SLOMAN & RILOMENTHAL, LLP 200 Crescent Court, Suite 1500 Dallas, Yeaso 75201 (214) 855-3000 (214) 855-3000 (214) 855-3000 (214) 855-3000 (214) 855-3000 (214) 855-3000 (214) 855-3000 (214) 855-3000

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CALL FOR TENDERS FOR THE PURCHASE OF THE GROUPS OF ASSETS OF "LN. STASINOPOULOS A.E.B.E.", OF ATHENS, GREECE

announces a call for tenders

for the purchase of any or all the groups of assets mentioned below, each one of which is being sold a

GROUPS OF ASSETS OFFERED FOR SALE 1. A factory standing on a plot of 13,604 sq.m. loca tory sanding on a plot of 13,60% up.m. located at "Youno" or "Hamosterne" at the Moschato all to weeken the following streets: Levidi, Xyoo, Lefa.s, Handra and 245 Pinetos Street. The streetings and mechanical equipment, as well as the Company's mole same are also included

in this group of the containing mechanical equipment or machinery), standing on a plot of 3,288 sq.m. also incuted in the Moschato Municipality, between LeBas, Handri and Cyprus Streets. (2nd Auction) is about the noted that both of the above factories are leased to third porties since 1981.

thereof shall be raisen into account, which shall be calculated on the basis of an amount discount interest rate of 22% compounded years).

7. The Louidiator shall give written notice to the inghest budder for each group of species to appear on the date and place membroad therein and execute the contract of sale in accordance with the terms contained in his bushing offer andgor any other suproved terms, which may be suggested by the Creditors and agreed upon. In the ovent of the highest bidder not complying with such obligation, the Letter of Guarantee shall be fortested as a penalty. Adjusticance, shall be deemed to take effect upon execution of the contract of sale.

8. All costs and expected on a substantial sale of the participants and the transfer of the saces effected hereby for sale shall be exclusively borne by the participants and the purchaser respectively.

9. The liquidator and the Creditors shall have no liability any obligations whostoever insearch the purchaser respectively.

9. The liquidator and the evaluation of the offers of the appointment of the highest bidder or any decision to repeal or extend effects of the shall not exact any highs for the adjudication and the purchaser of the appointment of the highest bidder or any decision to repeal or extend effects of the assets. Submission of binding offers shall not event any highs for the engineeration and principants shall acquire any right, power or claim from this juvisation and/or their porturpation in the Austions against the liquidator and the Creditors for any reason winnoever.

Manufacturer Poulton-le-Fylde, Blackpool

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THINICI KEPHALEOU S.A., Administration of Amers and Labritics, of 1 Shoutenion St., Atheus, seec. in its expectly as Liquidator of "LN. STASINOPOULDS A.E.B.E", a company with spatent office in Atheus, Servec, (the Company), presently under special legislation eccounting to the pristons of article 46a of Law 1892/1990, by virtue of decision No. 506494 of Atheus Court of

The company was established in 1953. In 1978 it became bankrupt and on 3.11.94 it was placed under special liquidation according to the provisions of article 46a of Law 1872/1990. Its objects included the production of pipes and metal constructions.

OFFERING MEMORANDUM - FURTHER INFORMATION:
Interested parties may obtain the Offering Memorandum in respect of the Company and its assets aligning a confidentiality agreement.

Interested parties may obtain the Officring Memorandum on respect or the company and management.

TERMS AND CONDITIONS OF THE AUCTIONS
1. The Auctions shall take place in accordance with the provisions of article 4na of Law 1892/1990 (as supplemented by article 14 of Law 2009) and modified later only the terms and conditions set forth berein and the "Terms and Conditions of Sale" contained in the Offering Memoranda. Such provisions and other terms and conditions of Sale" contained in the Offering Memoranda. Such provisions and other terms and conditions of Sale".

Submission of bunding offers shall mean acceptance of such provisions and other terms and conditions.

2. Binding Offers; Interested puries are hereby involved to submain bottone offers, not later than Minstay February 6, 1995 at 12:00 hours to the Notary Public Mr. George Stefansion. address 39, Akadamuss 5tr. 3910-64 Athens, Tel. + 391-645, 1924 and +391-1350 09:09, 5st. 39-10-65 04.23.

In order to bid for both of the above groups of sanets, one should salmust two separate offers, Officers almost depressed parts in the offered price in a proposed annual interest rate if any! In the event of not specifying a; the way of payment, it) whether the inscalments hear inscreet and c) the instalments shall be are no mineral and c) the interest rate that he true has the single offers shall be deemed that a) the offered price in psycable managing offers subscilied that within the shower due shall settlered and the proposed annual interest and c) the instalments shall be the top of the state of the st

substitute that most above can be all the consider the description of classics, and the displacements. Submissions of offers in favour of that parties to be appointed at a later targethall be accepted under the condition that express mention is made in this respect upon submission and that the offers shall give a personal guarantee in several or an analysis of the respect upon submission and that the offers shall give a personal guarantee contained in the Offersing Memoranda, by a bank legally operating in Greece, to remain valid mall the adjudication. The analysis of the letters of Guarantee must be as follows: (a) for the factory standing on a plot to \$1.000 scient. It is Austron's DRS, EIGHTY MILLION (20 000.000.) Letters of Guarantee shall be returned after the adjudication.

1. Submissions that the made in person or through a daily antisprated agent.

2. Envelopers containing the binding offers shall be unsteaded by the above mentioned Notary Public in his office, on the faith Estimaty 1995, at 14.00 hours. Any party having duly authorized a binding offer shall be emitted to untend and sign the devel streasing the unscaling of the indicing offers whill be emitted to untend and sign the devel streasing the unscaling of the thinding offers whill be emitted to untend and sign the devel streasing the unscaling of the thinding offers whill be emitted to other darks of the purpose of evaluating an offer proposed to be paid by installments, the present value thereof after the technical of the table to account when the best determents of all of the creditions of the Company, Memoin is made that for the purpose of evaluating an offer proposed to be paid by installments, the present value rates of 22% compostibled yearly.

in order to obtain the Offering Memoranda and any further information please apply to the Laquis
"Ethniki Kephaleou SA, Administration of Assets and Liabilities", 1, Skonteniou St., Athena M
Greece, Tel.: +30-1-323-14.84-87. [au.: +30-1-321.97.05 (attention Mrs., Marcha Françaids).

Marine State والمراوين وأمار والمراوية والمتكارين فيعيد

Obesity in some people may be caused by a treatable brain dysfunction, writes Victoria Griffith

# Message from a fat mouse

7 he only prescription most physicians offer obese patients is to eat less and exercise more. But with scientific understanding of fat expanding, drugs could become a standard part of treatment.

Obesity research is increasingly concentrating on controlling brain functions as a way of shedding unwanted pounds. Scientists recent discovery of a gene responsible for obesity in mice has lent credence to the idea that fat may be a treatable brain

A team of researchers led by Jeffrey Friedman of the Howard Hughes Medical Institute at Rockefeller University in New York found that by damaging a specific gene in mice. they destroyed the animals' ability to control their appetite. The mice became obese.

The temptation may be for everyone to think they have a genetic defect which prevents them from being thin'

The mouse gene works by creating a hormone-like protein that tells the brain when fat intake has been sufficient. Scientists say they have identified a likely gene counterpart in

The research does not target people concerned about their non-model type figure. Obese people are medically defined as being 20 per cent or more above their ideal weight, which allows for a generous range of body

If the gene mechanism works in bumans the same way as in mice, many obese people may be incapable of knowing when they have eaten enough. The gene discovery may spawn a frenzy of

activity in obesity research. "This is one of those pivotal points where scientists have obtained some key information to hase new experiments on," says

Phillip Gorden, director of the US's National Institute of Diabetes, Digestive and Kidney Diseases, part of the National Institutes of Health (NIH), which belped finance the study.
"Because the reaction is based on

a protein, biotechnology will probably play an important role in Drugs with neurological effects. such as Prozac (an antidepressant

shown in clinical trials to suppress appetite) and dexfenfluramine (an appetite suppressant), are available in the UK and in France to help weight control, and may soon obtain approval in the US. Dexfenfluramine was developed by a husband-and-wife team of neuroscientists at the

Massachusetts Institute of

Technology.

There is a large potential .

market for obesity drugs. Nearly a third of Americans are obese, compared with a quarter 20 years ago, according to the Centres for Disease Control and Prevention, and Americans spend some \$2bn (£1.2bn) at weight-loss clinics each

year.
Although fat is revered in some cultures, which see it as a sign of wealth, in the western industrialised world it is frowned upon. Fat also poses health hazards, including higher risk of cancer, heart disease, diabetes and

arthritis. While there is now evidence of a medical cause, the rising incidence of obesity continues to point to lifestyle as an important factor. One of the main challenges for scientists seeking to treat obesity will be sorting out those who are genetically prone to being fat from those who simply need to be educated about healthier habits.

"It is very easy to diagnose that a person is fat," says Judith Wurtman, one of the MIT scientists who developed dexfenfluramine. "It is extremely difficult to diagnose why they are fat. The temptation may be for everyone to think they have a genetic defect which prevents them from being thin." Judith Wurtman and her husband Richard Wurtman believe that

some people are carbohydrate CTAVETS.

"There are some people who will over-eat cookies or candies who would never dream of eating too much chicken," says Judith Wurtman. The Wurtmans believe the inability to control these urges may be because of a shortage of serotonin, a brain chemical affecting mood and behaviour. The drug they developed,

dexfenfluramine, causes nerve endings to make more serotonin. The Wurtmans insist their drug is not meant to be a magic bullet treatment, and that it must be taken as part of a regimen which includes diet and exercise However, some scientists see a danger in this kind of

"There is no evidence that once people are taken off this drug, they won't gain the weight right

The discovery of the obesity gene in mice was cause for celebration for many overweight people

back," says Gorden. "And lifelong treatment is something that needs to be considered very carefully." The lack of any long-term impact is one of the reasons physicians reject amphetamine once widely used as appetite suppressants. Another problem with amphetamines is that dosages need to be constantly increased to achieve the same effect, capturing patients in an upward spiral that can lead to

substance abuse. News about the discovery of the obesity gene in mice was cause for celebration for many overweight people. "It means I have a medical problem, that I'm not just a despicable person with no will power," says Carmen Leigh. a Boston nurse who has fought excess weight all her life.

But scientists caution that drugs are unlikely to provide a miracle

raditionally, virtual worlds have been lonely places, populated by strange inhuman creatures with limited capacities and unrealistic movements. But 20 years of research at the University of Pennsylvania under the direction of Norman Badler have produced a dynamic virtual human figure, accurate in terms of body geometries, body movements and associated behaviours.

**TECHNOLOGY** 

The software that generates this figure is called "Jack", although this name is more often applied to the simulated human.

One of the most important uses for a realistically-modelled 3D virtual human is in the design of vehicles and workspace layouts for human operation and usage. In this way, expensive prototype errors can be avoided. The figure can be programmed to move about within the unbuilt design, testing the layout for optimal positioning of features, ensuring they are reachable, visible, usable and safe.

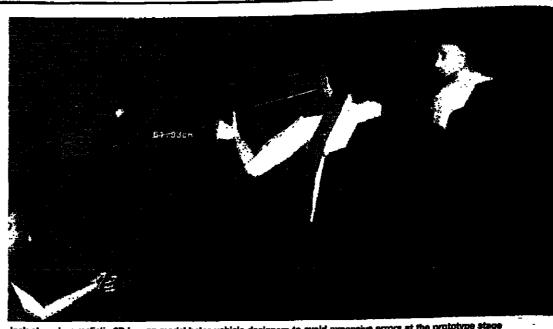
With the aid of a toolbox of hammers and spanners, the figure's fully jointed hands can even be used to assess engine layouts for ease of maintenance and accessibility, a feature that Vickers, the defence contractor, is exploiting in the design of vehicles. The company is also using Jack for studies on the design of armoured fighting

John Deere, the US company, has used earlier versions of Jack since 1985 to design everything from bulldozers to garden equipment. Jack has many features which optimise it as a tool for adding human factors to computer-aided design, particularly for the layout of cramped or limited spaces, such as aricraft cockpits or car interiors.

With the exception of the hands the figure's body is built from 39 segments, articulated at 38 joints. These operate within programmable degrees of freedom, giving realistic limitations of movement which can be further constrained to simulate the wearing of body armour or seat-

Additional mass can be added to individual body segments so that tasks requiring lifting, for example, can be simulated. Such programmable additions also allow accurate predictions of spacial requirements, such as access facilities or the layout of vehicle controls.

Jack figures are custom-built from a database of body measurements compiled during a 1988 survey of US Army personnel. Measurements are displayed on-screen as a spreadsheet and selected data can be imported into the programme to construct wire-frame human figures with the mass and size representative of various percentiles of the workforce popula-



Jack at work; a realistic 3D human model helps vehicle designers to avoid expensive

# Jack of all trades

Virtual reality's newest 'inhabitant' is transforming a lonely world, explains Jane Stirling

cally rendered, textured and coloured to produce a virtual human, complete with hair, eyes and clothing. It is possible to increase its size on screen to give an accurate idea of spacial requirements or work-

force limitations.

The movement of the human figure around its virtual environment is mathematically accurate and can be programmed to avoid collision with structures within the design. A realistic body posture is main-tained, even if this means the figure taking the odd step or two to

restore natural balance. The movement of one part of the body is compensated for by movement in another - a reaching movement might, for example, be accompanied by bending the knees - and this feature permits the designer to predict the body space needed to complete a task.

Jack has a feature which allows the design engineer to "see" through the figure's eyes. The view appears as an eye window on screen and changes as the figure moves its body, head or fully articulated

Being able to see within the virtual design in this way permits the design engineer to avoid problems of visual interference, which might jeopardise safety or reduce effi-ciency in the finished product. Caterpillar of the US has been using this feature to assess advanced cab designs in earth-moving trucks.

Michael Goom, ergonomics manager British Aerospace, says the use of Jack can save money. "Jack allows you to explore ergonomic implications of future designs before you spend lots of money on mock-ups and prototypes."

ack's functionality can be extended by use of Lisp programmes, which allow the design engineer to add in new behaviours linking human action to design. In this way, the design itself can respond to the figure's actions. A virtual vehicle, for example, will turn when steered; a radio will switch on and play when the button

An 18-sensor glove worn by the user permits more detailed hand movement, giving control for handtask analyses and realistic use of equipment within the design.

Full body sensors, made by Ascension Technologies of the US,

translate the users' body movements into similar movements of the figure on screen, allowing the design engineer to operate and test the unbuilt design. The sensors are worn on the

palms of the hands, the head and waist and their number is limited to permit unencumbered movements by the user. By following the virtual human with the eyes, the design engineer can reach out into thin air and pull levers or push buttons, non-existent in the real world but present and operational in the virtual one. Design engineers can thus test-drive a product before it is even built. Stereoscopic glasses permit the human figure and its virtual environment to be viewed in full 3D.

The University of Pennsylvania aims to make further improvements, with the ultimate goal of a perfectly realistic human figure. Already body organs have been modelled with a high degree of geometrical accuracy and this capability is used to test medical devices on screen. Other potential uses could emerge from the development of speech, facial expression and body gestures.

#### **BUSINESS AND THE LAW**

# Overtime rules do not discriminate



collective agree-ments which limit overtime payworked in excess

EUROPEAN of the normal working hours of COURT full-time employees do not discriminate indirectly against part-time workers, the European Court of Justice ruled The Court heard six cases, all

involving female part-time workers in Germany, who claimed they were entitled to overtime for hours in excess of their individual working hours at the same rate applicable for overtime worked by full-time employees. The women claimed the restric-

tions on overtime payments in the collective agreements that payments would only be granted for overtime worked in excess of normal full-time working hours were discriminatory and in breach of the Treaty of Rome.

The issue was referred to the ECJ by the German courts for a preliminary ruling. The German, French, Greek and UK governments intervened in the proceed-

A defendant in one of the cases argued that the reference for a preliminary ruling was inadmissi-ble because, even if the overtime conditions breached the Rome treaty, the plaintiff could not obtain the overtime payments she sought. If the national court annulled the contested provisions. the result would be a legal vac-

The Court said it was bound in nrinciple to rule on any question referred to it by a national court if that question concerned the interpretation of Community law. In the present cases, the questions relating to the interpretation of Community law were undoubtedly germane to the disputes before the German courts.

As to the issue of a legal vacuum, the Court reiterated that the relevant provisions of the Rome treaty prohibiting discrimination were sufficiently precise to be relied on before the national courts by individuals seeking to have set aside any provision of national law. This would include, if necessary, a collective agreement which proved incompatible

with treaty provisions.
The ECJ added that, if the

Provisions in national court set aside the provisions of a collective agreement because they were incompatible with the EC treaty's non-discrimiments to hours nation provisions, then the category of persons discriminated against was entitled to enjoy, from that moment, the benefit of provisions applicable to other workers in proportion to their working hours. There would thus be no legal vacuum created if the domestic provisions were annulled.

The Court said it was common ground between the parties that the relevant domestic provisions did not constitute direct sex discrimination. To determine whether they constituted indirect discrimination the Court had to determine whether the provisions established different treatment for full-time and part-time employees and, if so, whether that difference affected considerably more women

nly if those questions were answered in the affirmative did the question arise as to the existence of objective factors unrelated to discrimination which could justify such a difference in treatment. The court said there was unequal treatment whenever the overall pay of full-time employees was higher than that of part-time employees for the same number of hours worked on the basis of an employment relation-

In the present cases there was no unequal treatment because the part-time workers received the same overall pay as full-time employees for the same number of hours worked. Part-time workers were also entitled to the same overtime pay as full-time workers if they worked more than the normal working hours of full-time

workers.
The domestic provisions therefore did not give rise to different treatment between part-time and full-time workers, and there was no discrimination incompatible with the provisions of the Rome

Joined cases C-399/92, C-409/92, C-425/92, C-34/93, C-50/93 and C-78/ 93: Helmig and others v Stadt Len-gerich and others, ECJ 6CH, December 15 1994.

BRICK COURT CHAMBERS,

urther evidence of the restructuring of the UK legal services market fol-lowing the recession emerged this week when Jaques & Lewis, a medium-sized City law firm, joined the Eversheds group. search by Eversheds for a suitable London partner to complete its national law firm network.

Initially, Jaques & Lewis will trade under the name Eversheds Jaques & Lewis. From June all seven firms in the group will abandon their local identities and operate as Eversheds.

Eversheds makes bold claims for its new structure. Mr Victor Semmens, its chairman, says it is now the second largest law firm in the UK, the world's fifth largest, and first to operate on a fully national basis in England and Wales.

The enlarged firm acts for 83 companies publicly listed in the UK. It will have 273 partners and 950 fee earners, enabling it to compete with the largest City law firms in the domestic legal services market. "These are resources we can deploy to meet the needs of any client in the UK," Mr Semmens says.

But City lawyers are not con-vinced. "It's a million miles from the truth," says a senior partner at a leading City law firm.

"it's not going to change the national or the world scene. Eversheds will remain a collection of strong regional firms trading under one name. Jaques & Lewis isn't suddenly going to become attractive to big clients because it has joined this group," he added. Other lawyers say dropping local identities for a single name will not make Eversheds a national law firm. Moreover individual firms in the group risk losing local goodwill.

Mr Paul Rhodes, senior partner of the Leeds, London and Birmingham law firm, Dibb Lupton Broomhead argues that, until the Eversheds' firms stop operating as separate profit centres and begin profit sharing, they will remain no different from other law firm associations. such as the Norton Rose/M5 group.

Mr Semmens is unruffled by such comments. He believes too much is made of the lack of profit-sharing which, he says, is difficult to organ-ise to the satisfaction of all parties involved. So long as the absence of profit sharing does not hold up developing a national practice, it is not a priority for Eversheds.

He compares the Eversheds structure with that of large UK accountancy practices, particularly KPMG Peat Marwick. Peats has a federal structure similar to Eversheds' but, he says, no one claims Peats is not a national firm. Other lawyers support this view.

They argue in favour of a relation-

ship between the success of a par-

Networkers: Peter Scott, managing partner of Jaques & Lewis, (left) Peter Cole and Victor Semmens, respectively

# The case for bigger being better

#### Robert Rice on a new national law firm network in the UK

partners in that office earn.
"It is easy to say that it will only work with full profit sharing. Achieving that is very difficult. Maybe they are going as fast as is consist-ent with the wishes of all the parties involved in pursuit of a

Rose/M5 partner.
But is there a case for a national law firm along the lines of the large UK accountancy practices? The accountants have partly answered the question by showing an interest in moving into legal services. Garrett & Co, the law firm set up recently under the wing of Arthur Andersen, points to the future.

long-term goal," says one Norton

The arrangement gives Eversheds the presence it needed in the south east and in the City if it was to present itself as a national firm. Its London office - a merger between the London offices of two of its member firms, Phillips & Buck of Cardiff and Daynes Hill and Perks of Norwich, was not a success. Building up a credible City practice by itself would have taken too long. Jaques & Lewis also adds an international dimension to the Eversheds practice. Not only does it have a Brussels office, something Eversheds lacked, but international

work makes up about 33 per cent of Jaques & Lewis's busines For Jaques & Lewis the association also makes sense. Over-capac-

ity in the domestic legal services market means many medium-sized City law firms face an uncertain future. The recession has increased competition and pressure on fees. The market faces a period of restructuring.
Most medium-sized City firms

know they need a long-term strategy to survive. Broadly, there are four options: merger with a similar firm to compete with the top 10 City law firms; merger or association with one of the big US law firms; widening expertise and increasing the breadth of services by hiring specialist teams from other law firms; or, becoming the cornerstone of a national network. Jaques & Lewis has chosen the last route.

· Jeremy Raisman, Jaques & Lewis's senior partner, insists joining Eversheds is not a defensive move. The firm rode the recession, he maintains, but joining Eversheds will give the firm the resources it needs to invest for the future. "Our clients see the advantages of having these resources available. It adds a dimension to our practice," he says.

But what of the business case for trading under one name as a national law firm? Last spring the Norton Rose/M5 group surprised the legal services market by deciding

not to merge its operations into a single national partnership.
A review by the group of its clients revealed "no business case" for merging its seven firms. Clients could see no advantage in it. What mattered to them was maintaining

relationships built up with a firm or individuals within it. This response reinforced the view among some in commerce and industry that lawyers over-estimate the importance to clients of national networks. Eversheds, however, says its clients favoured closer integration and

a single national identity. "Norton Rose/M5 never set about becoming a national law firm they never tested it," says Mr Peter Cole, Eversheds' national managing partner. "They push the differences between them. We constantly look to bring together the knowledge

and expertise of our lawyers." It is this pooling of the knowledge and knowhow of 1,000 lawyers which clients find attractive, not the geographical spread of offices as such says Mr Semmens,

Whether the firm can generate the work to justify its new status as the second largest law firm in the UK and the fifth largest in the world is uncertain. Much will depend on whether the legal services market is convinced that. without profit sharing. Eversheds really is a single 1,000-lawyer firm. and Prague.

LEGAL BRIEFS



#### Appeals against **B&C** ruling due to begin

A ppeals by Quadrex Holdings and Samuel Montagu in their long-running litigation with British & Commonwealth Holdings, the collapsed financial services group, will begin in the Court of

Appeal tomorrow.

The appeals, which are expected to last three months, arise out of the abortive £280m sale by B&C to Quadrex of the wholesale money broking division of Mercantile House Holdings in 1987, Samuel Montagu acted as Quadrex's merchant bank adviser on the

At the trial B&C succeeded in its claim for breach of contract against Quadrex for failure to complete the deal, and against Samuel Montagu for negligent misstatement. B&C claimed it had relied on statements by Samuel Montagu that Quadrex had funds to complete the deal and that those statements were made negligently. B&C was awarded a

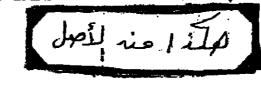
total of £188m. Quadrex was also partially successful in its defence and counterclaim that B&C made misrepresentations to Quadrex during negotiations immediately prior to signing the deal. Quadrex was awarded £20m against B&C.

German merger

he German law firms of Boden Oppenhoff Rasor Rane and Rädjer Raupach Bezzenberger merged on January 1 to form the new partnership of Oppenhoff Radler.

The new firm is the largest in Germany, with 220 lawyers and tax advisers. It has offices located in Berlin, Cologne, Frankfurt am Main, Leipzig and Munich.

The new firm will remain part of the Alliance of European Lawyers and the LLR European Tax network, giving it access to offices in Brussels, London, New York





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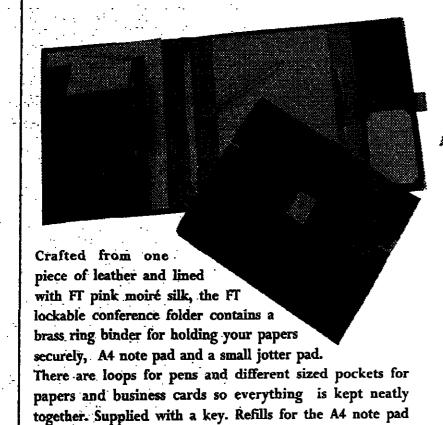
leather wallet which contains a detachable solar powered calculator on one side and an FT pink jotter pad on the other. Included is a matching black and gilt ballpoint pen. Now you can note and jot down calculations wherever you are. Includes two inside pockets

Size: 82mm x 110mm x 5mm.

for your notes.

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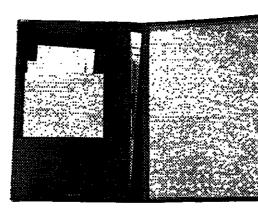
# THE FT CONFERENCE FOLDER



Size: 320mm x 254mm x 32mm.

and jotter are readily available.

# THE FT MEETING FOLDER



A Superbly designed black leather folder ideal for meetings and presentations. It is supplied with an A4 FT-pink note pad and has additional pockets for papers as well as a loop for holding a

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### THE FT DISC WALLETS

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Size: 115mm x 110mm x 30mm Size: 220mm x 130mm x 25mm

CODE: DWS (6disc) CODE: DWL (10disc)

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Beautifully finished leather case, invaluable as a telephone jotter pad. The case is lined with FT-pink moiré silk and its top is designed to stay back out of the way when you write, so you can make notes with one hand and hold the telephone with the other. Refills of the pad are available.

Size: 133mm x 180mm x 38mm.

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# THE FT BILLFOLD WALLET

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# Wired to the rest of the world

t BAeHAL Software's offices in Bangalore, in southern India, a computer programmer keys in a change to a programme he is writing for a UK cli-

The computer he is using, via a satellite link, is at the client's site

Because it is morning in Bangalore but still night in England, there are few users and the computer responds faster to him than it would to a user on the client's site, during the working day there. By the time the client comes to work, the changes will have been completed and tested.

Mr S.K. Mitra, chief executive of BAeHAL, believes that the satellite link is an essential tool for building customer confidence in "offshore software development. He says: "It's a hot line on which we are talking all the time. If the customer has any concerns, we say: 'Check it out -

it's on your computer."

BAeHAL Software, a joint venture between British Aerospace and Hindustan Aircraft Limited, the Indian aerospace equivalent, is one of a number of recently established offshore software development businesses in Bangalore.

In the three years since India started its economic liberalisation, IBM, Motorola, Hewett-Packard, Texas Instruments and Digital Equipment have all started operations there, to take advantage of India's cheap but sophisticated technical skills.

Science and technology have a high status in India, which boasts of having the second largest English-speaking scientific and technical manpower resources in the world. The founders of independent India saw self-sufficiency in key areas of technology as being an essential part of building a modern economy. Dependence on foreign know-how, though often necessary, was viewed as a relic of the colonial past, to be eliminated as soon as

Higher education in science and technology was expanded enormously through the 1960s and 1970s. certainly well beyond the economy's ability to absorb the output of graduates and PhDs. As a result, India has become one of the world's main exporters of technical skills.

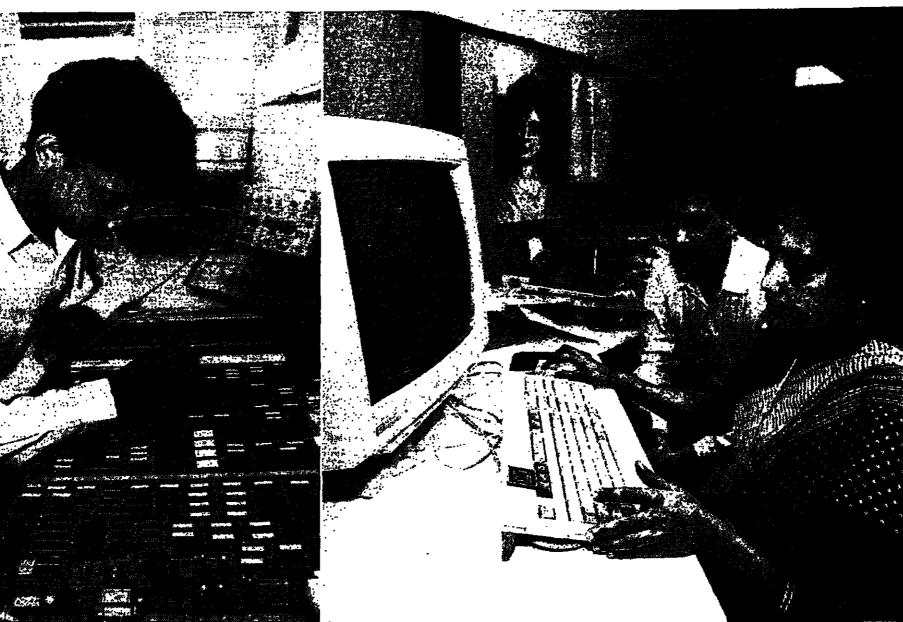
Estimates of the proportion of graduates from the prestigious Indian Institutes of Technology who emigrate soon after graduation range from 25 per cent to 50 per cent. In computer science, the figure is probably closer to 60 per cent. Observers have noted that India may have repaid, through the export of skilled human capital, more than it has received in foreign

development services is one way of retaining at least some of the economic benefit of its skilled manpower which India may otherwise have lost. It is a relatively recent phenomenon: in 1986-87 exports amounted to just \$30m. Figures for the year to March 1994 show that these had grown to \$330m, a compound growth rate of 40 per cent a

Even at this level they represent a fraction of 1 per cent of the combined US and European markets for computer software and services, so it is not surprising that they have achieved little visibility in the west so far. What is impressive, however, is how rapidly the industry has grown, to the point where a number of western software gurus are now taking it seriously

Following a visit to India, Edward Yourdan\*, a writer on the US software industry, wrote: "I returned home convinced that India has an opportunity to become a major force in the global software marketplace by the end of this century."

In many ways, India seems an unlikely candidate to be a major force in one of the world's most technically sophisticated and critical industries. For a start, it has one of the lowest concentrations of computers in the world, seven for every 10,000 people, against an estimated world average of 250: 1.070 in Singapore; and a US figure of 2,500. Even S.K. 'Juggy' Pandit, winner of the 1994 David Thomas Prize, explains how India is investing and excelling in high-technology skills



Economic liberalisation has attracted several of the bigger international computer companies into India to take advantage of its cheap but sophisticated technical skills

in basic telecommunications facilities, India has one of the poorest telephone networks, with only eight lines per 1,000 people; China, by comparison, has 17 per 1,000 people and Malaysia has 130.

Its own rate of expenditure on computer hardware and software, estimated at 0.4 per cent of gross domestic product, is tiny compared with an Organisation for Economic Co-operation and Development average of 3-5 per cent. The growth

able to compete internationally Alvin Toffler, in his book The Third Wave, envisaged new

in order to be

societies, in the developing world. that would comagricultural econ-

sectors, with policies to promote both. He labelled these "Gandhi with Satellites". His views on economic development challenged the notion that the developing world would follow the path trodden by the developed - from agriculture to manufacturing - while the developed world became a provider of services. Is the export of software development services from India evidence of the emergence of Toffler's "Gandhi with Satellites" societies and, if so, what implications does this have for the developing

world and the developed? Bill Murphy was one of the UK's pioneers in promoting offshore software development and went on to form a company, Third Wave Network, to do just that. The name incidentally, was inspired by Alvin Toffler's book. In 1980, Mr Murphy was managing a major IT project

for Western Trust and Saving, a UK subsidiary of the Royal Bank of Canada. In a previous role he had used Singapore as a low-cost source of key-punching labour and was aware of American companies doing

offshore programming in Ireland.
He says: "I realised that the only way I could keep the project within a very tight budget was to look at offshore programming." He came across Tata Consulting Services (TCS), part of India's Tata Group, had established an office in of the conventional wisdom that a London in the mid-1970s. The sysstrong domestic market is essential tem they programmed, involving

from the Indian

Institutes of

more than 250 man years of An estimated 25-50 effort, was subseper cent of graduates quently sold. name, to a number of UK financial service com-Technology emigrate panies. soon after graduation TCS is the larg-

established omies with certain high technology Indian software house and, with 4,000 professional staff, is of a similar size to the larger European software companies. It earns 80 per cent of its revenue from exports and is largely responsible for establishing offshore software development in India. Its example has been fol-lowed by other indigenous ventures. One of these, Infosys Technologies, based in Electronic City on the southern fringes of Bangalore, was started in 1981 and has been one of the best performing shares on the Bombay Stock Exchange.

Explaining the success of the business, Nandan Nilekani, deputy managing director, says: "People come to India to get good quality software development at an acceptable cost.

Although Indian salaries are a fifth or less of western ones, this overstates the cost advantage. Mr Nilekani explained: "Salaries are lower but hardware costs are the same and infrastructure costs are much higher. In the west, the infrastructure is a given, but here you have to put everything (power, utilities, communications) in."

In fact, the general consensus is that Indian software development costs about half of what it would in the west. Mr Nilekani believes that Indian firms have also gained from the upheaval in the computer industry in the last decade, when the gies, owned by a few western companies, was overthrown by the advent of the PC.

For much of the 1980s, Indian exports were based largely on "body-shopping" - sending software engineers or programmers abroad to work on a client's site under his supervision. Although body-shopping still accounts for a significant, if falling, proportion of exports, it has become a pejorative term in Indian software circles.

By the late 1980s, the practice had begun to arouse hostility in the US, the main export market, and US visa restrictions were tightened last year to make it more difficult. However, an offsetting development over the past two years has been the liberalisation, by the Indian government, of the policy on allow-ing dedicated satellite links. There are now more than 100 such links in use in India, half of which are used by software firms.

Companies such as Infosys now offer their clients offshore development centres, based in India. The idea is to provide an overseas customer with a dedicated software team which, via a satellite link, can serve as an extension of his own operations, using his computer installation, without having to set up a business in India.

A host of US companies has taken this route, although European customers are still rare. Mr Nilekani

believes that the use of offshore development centres has cut the amount of work that needs to be done abroad to about 20 per cent, with obvious cost savings, as well as making possible the provision of additional services. For example, the most recent arrival in Bangalore is a company called NetQuest, founded by a former Microsoft software engineer. NetQuest intends to offer a helpline and trouble-shooting service to US computer pro-

services through the CompuServe applied in the first place to improvcomputer net-While acknowl. The claims of quality economy. for the better-known Sings edging their cost companies are borne much the same the west, Indian software houses out by western clients technical skills as are keen to stress and independent

quality as well. = do all of SwissAir's revenue

that they are

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accounting.
He says: "The operation pro 1m flight coupons a month. Swiss-Air used to do this in Zurich with about 200 people. The Bombay operation started a year ago and we do the same work with 100 people. We did this through better business practices and better systems."

The claims of quality, at least for the better-known companies, are borne out both by western customers and by independent standards bodies. The Software Engineering Institute, an organisation funded by the US military, has rated more than 200 US-owned software teams for technical and management excellence: 75 per cent were rated at level one, the most basic level and

only two teams were at level five, the top level. One was a US team working on the on-board Space Shuttle software; the other was Motorola's Indian software team in Bangalore. The achievements of the best

Indian software operations in exporting their skills are, however, in stark contrast to the poverty of India's own IT infrastructure and point to wider failures in national policy. Computing is, after all, an question. It intends to market its pletely rational world, it would be ing the efficiency

of the domestic Singapore.

India, directed these pristandards bodies marily at improving the competitiveness of other

As an example, Mr P.V.N. Rao of industries and services, rather than TCS cites the facility which his company has established near Bomtheir own right. Most private sector bay's Santa Cruz airport to Indian software firms earn 80 to 90 per cent of their revenues from exports.

The application of computing within India, particularly in the huge public sector, remains rudimentary. The World Bank, in a recent report on the application of FT in India, estimated that cheque clearing through the banking system took six weeks, instead of six days; that about 10 per cent of the value of traded commodities was spent on paperwork at ports; that 118 pieces of paper were needed to get a consignment to its destination; and that 258 signatures were required for export clearance.

Modest progress has been made in some areas. Automation of the railway's reservation system, which handles more than 11m pass

a day, has reduced waiting times from 80 minutes to five. In the wake from 80 minutes to Ive. In the water of last year's securities scandal in Bombay, a computerised trading and settlement system is being built (by TCS). The public sector banking system is at last introducing some automation, no doubt sensing the threat from nearly allowed private. threat from newly allowed private sector banks but with only 390 branches automated, out of 70,000,

it has some way to go.

Apart from entrenched opposition
within organisations, the government's own procurement policies ment's own procurement punches have not helped. For a long time, the state-owned software house, CMC, had a monopoly of supply to the public sector. This was recently abolished, but the government then created a new organisation, the National Informatics Centre (NIC). to advise it on procurement. The NIC has itself become a supplier of computer systems, thus creating a new de facto monopoly.

There is hope that liberalisation will change things and certainly private sector companies in newly liberalised areas, such as banking are important customers of the software industry. Mr Nileksmi of Infosys says: "We are seeing a per-ceptible change. There are now large projects as sophisticated as anything in the west."

owever, the critical areas for reform, the central and state government bureaucra cies and public sector organisations, remain untouched. For the foreseeable future, the export software businesses are likely to remain isolated islands of

Toffler's phrase, "Gandhi with Satellites", with its suggestion of efficient first-world activities being undertaken within a third-world society, does capture some of the contradictions of the offshore software development business. However. Toffler assumed there would be deliberate policies to promote both high technology sectors and a primitive, rural economy, in such societies. While such policies have played a role in the development of India's software industry, its evolution can also be seen as an adjustment to the failure of policies over the last 40 years.
Conventional thinking on the evo-

lution of world trade and competi tiveness envisages a continuum of economic activity through which economies evolve, ranging from basic agriculture at one end to highly skilled services at the other.

The reality is more complex. India is well placed to be an exporter of certain highly skilled services. But this is partly because, for a variety of reasons, the relevant skills are not being applied to adding value to ay at large, but are being exported "raw".

Interestingly, aside from traditional areas such as textiles, leather goods and certain chemicals, India shows little sign of becoming a significant exporter of manufactured goods to the west. Indeed, one conequence of liberalisation has been that many Indian computer hardware manufacturers have stopped production, unable to compete against imports, and turned to selling services.

Is it possible that the more gloomy predictions about the west's ability to remain competitive in manufacturing are based on a questionable extrapolation from the example of a small number of east Asian economies? If so, the developed world may well be overestimating the threat to manufacturing from the developing world, while underestimating its ability to supply highly skilled services.

The David Thomas Prize was set up in memory of David Thomas, a Financial Times journalist killed on assignment in Kuwait in 1991. The theme for the 1994 prize was: "Can the developing world become richer without the developed world becom-

Mr Pandit is a general manager

#### PURCHASE OF PREQUALIFICATION DOCUMENTS FOR DEDICATED **AVIATION AND GROUND MAIL-HANDLING SERVICES**

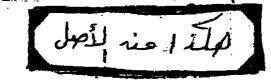
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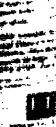
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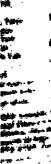
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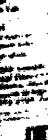


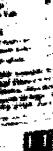


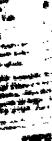
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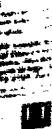


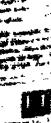




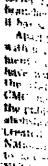










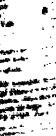


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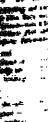
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**GALLERIES** Van Gogh Museum Tel: (020) 570

 Odilon Redon: retrospective of the French artist's work with over 160 paintings, etchings and Hithographs; to Jan 14 OPERA/BALLET Het Muziektheater Tel:(020) 551

 L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted

Cambridge University is showing off its heritage for a good cause, writes William Packer of what a university may become in time, by the slow, insensible round of particular activity and experience. In short it shows us what a true university is and does.

ith galleries empty

and no sales in

immediate prospect,

this is the season in

the salerooms for

exhibitions in a good cause. At

Christie's the current beneficiary is

the Campaign for Cambridge, the

purpose of which is to raise £250m

by the year 2000, in order to main-

tain the university's pre-eminent

In an age when the heresy of cost-

effectiveness in the short term

seems to possess our political pay-

masters, it is indeed no bad thing to

point up the diversity of the schol-

arly, scientific and creative achieve-

holds manifest treasures drawn from

the collections both of the university

and of its constituent colleges, but it

is not really an exhibition of works

of art as such. Rather it is a concise

information

quickly. What we see, before any

step has been taken, is the world in

which our imaginations are to

travel. Understanding of what fol-

lows is subtly and powerfully condi-

Curtain rise on the Royal Ballet's

Stoom Lake is all too revelatory of a fundamental flaw in the staging. We

see fuss. Lamps and wires and

golden gates and a milling mob of

over-dressed and imprecisely identi-

fled people, ancient retainers, arque-

buses. Fluster. And fluster is what

ensues, with hollow characterisa-

tions and uniforms and children and

tippling cadets and wandering super-

tioned by this first impression.

and elegant polemical demonstration

past. This exhibitio

Then the curtain goes up

on a ballet, the audi-

ence absorbs a lot of

position in the world.

It is set out in a sequence of cabinet displays, each to its own hero or subject. And in celebrating the past, present engagement is tacitly admit-ted. Here is Rutherford before the war, splitting the atom in the apparent chaos of his laboratory; and here Thomson with his cathode-ray tube. From the 1950s, there is Crick and Watson's model of the molecular structure of DNA, and from the early 19th century, a fragment of Babbage's "difference engine" by Here is Darwin, off to the South Seas in The Beagle in defiance of his father's fears and admonitions that it would be uncomfortable,

unsafe, a waste of time. But Cambridge science goes some-

what farther back, back indeed to Harvey and his discovery of the circulation of the blood, and to Isaac Newton, the greatest scientist-hero of them all, whose spirit presides over this whole affair. Here is his signature as he casts his vote for James Dupont as Vice-Chancellor in 1669: here he is depicted in later alle-

gorical glory by Pittoni. He held the Lucasian Chair in Mathematics, now occupied by Stephen Hawking. And it is not all science - well, not quite: for now we come to the Cambridge philosophers, Russell, Moore and Wittgenstein, and to John Maynard Keynes, personification of that even more inexact of sciences, modern economic theory, with hi Russell too, comes an authentic whiff of Bloomsbury, and Keynes himself is represented by two archetypal Bloomsburian images, the one a fairly conventional portrait by

orative confection by Vanessa Bell, as he peers round the curtain at his curtsying wife, the Russian dancer,

Lydia Lopokova. The best of the modern paintings is the portrait by Henry Lamb of Joan Strachey, of Newnham. He also drew the archaeologist, Dorothy Garrod, who in 1937 was the first woman to be offered a chair at Cambridge. The pity is that so little is shown of Cambridge's continuing engagement with contemporary art - Jesus has lately been notable in this respect. Even Kettle's Yard, which comes under the university's wing, is represented only by Jim Ede's personal collections of furniture and china, Miró and Alfred Wallis. Its programme of exhibitions deserves a

mention. As it is, the Fitzwilliam Museum carries the flag for high art handsomely enough, with a room full of ancient Korean ceramics, university silver and old-master paintings. These last include Van Huysum's months of the year, seldom shown together, and, of recent acquisitions, a fine Hobbema and a splendid Honthorst full-length of Lord Craven.

But at any university, books must come before all else. So history is represented by Macaulay, the study of the classics by Bentley, and literature by Tennyson, whose portrait and bust are shown as well as notebook drafts of In Memoriam and The Lady of Shalott. Milton crops up passim, and space is given to the manuscripts of more recent luminaries, such as Ted Hughes and Sylvia

Literature in its wider sense and earlier manifestations, however, is here the more important, with Cambridge at the very heart of the humanist and religious controver-

sies of the Reformation - More.

mon Prayer and his championing of Tyndal's vernacular Bible, has perhaps had more influence upon our historic cultural life than any other Cambridge hero.

Of the many true treaures here, the greatest are among the books.

Cranmer and Erasmus. Cranmer in

particular, through his Book of Com-

Baskerville's Bible of 1763 is shown, set for the university in his own type and one of the finest editions ever printed. But that pales beside Charemagne's personal copy of Bede, dating from the 8th century, written in so plain and vigorous a hand; and that again must pale beside the exquisite 6th century gospels from Corpus Christi, so delicately illumi nated and so seldom seen. Such things alone are worth the visit.

University of Cambridge: Foundations for the Future: Christie's, King Street, SW1, until January 25,

#### Ballet/Clement Crisp

# Too much fluster ruffles feathers

The 6th century Corpus Christi Gospels, left, a gift from Pope Gregory the Great to St Augustine; and Vanessa Bell's portrait of Maynard Keynes and his ballerina wife, Lydia Lopokova

Great treasures from the groves of academe

numeraries, a maypole, stools, idiothatted peasantry The inspiration behind it all is not Swan Lake - a lyric tragedy of masterly simplicity - but the relent-lessly anecdotal Victorianism of Frith's Derby Day, in a staging needlessly transposed to a late-Tsarist Neverland. Everyone is very busy indeed, building character, gesticulating (those meaningless sweeps of the hand; the moues of social comment from two "chaperones"; the

Mayerling agitation when Siegfried

is told he must marry), making it all

**BERLIN** 

so damned real that I long to remind the cast of that old theatrical dictum

Duncan Grant, the other a more dec-

"Don't just do something. Stand It is the absence of formal clarity in this Swan Lake that seems to me reprehensible. The more so in that the text is excellent, and as near the original Petersburg staging as we need to see. It is sabotaged, except in the grandly direct last act, by absence of faith in the dance itself. Increasingly, the Royal Ballet offers "production" as a substitute for dancing and the demands of the aca-

demic manner. The new Beauty cheats Petipa at every turn. Giselle is more about logging than Romanticism. Don Quizote was flattened beneath design and an incomprehen-

sion of its style. With simple, evocative sets, the Kirov's classics and most of the Bolshoi's 19th-century stagings allow the choreography to speak, and show the true significance of the works involved - which is their power in dance terms, their need for great interpretative art. The Royal Ballet - whose versions were once admirably restrained in appearance and no less admirably rich in performance - needs to remove the vivacities, the over-painting, the elaborate gesso frames, and let the text inspire

its casts rather than crowd them. The return of Swan Lake to the repertory on Thursday night brought Darcey Bussell as Odette/ Odile. Here was a beautiful young woman with a beautifully secure technique, behaving with admirable restraint under pretty vexing cir-cumstances. Her Odette was gentle,

physically luscious, and about as threatening as a kitten. I do not think Swan Lake is about a jeune fille en fleur. Zoltan Solymosi was her Siegfried, fine as a partner, his every action a declaration about how glad he was to be on stage for us and how glad he knew we were to see

him there. Company dancing was very good, and I salute the first act pas de trois of Sara Gallie with her pretty feet, Deborah Bull, and the soaring Errol Pickford. If the costuming of the national divertissements in Act 3 were thinned out, the performers would look more like dancers and less like frenetic lampshades.

Swan Lake is in repertory at Covent Garden on January 16 and 19.

### Obituary Peter Cook

🕇 he comedian Peter Cook died in hospital in London yesterday from a gastro-intestinal haemorrhage. He was 57. At the time of his death his ercatest achievements were well behind him but his contribution to British culture in the second half of the 20th century was immense: he was largely responsible for the satire boom of the 1960s and 1970s, which has influenced every successive generation of young comedians, and he was the largest shareholder in the irreverent magazine *Private Eye*, which has been the scourge of the

Establishment. Peter Cook's comic talents brought him fame in his student days at Cambridge in the late 1950s, and in 1960 he joined fellow Cambridge man, Jonathan Miller, and two Oxford wits, Dudley Moore and Alan Bennett, to create the revue, Beyond the Fringe, which, in turn, took the Edin-burgh Festival, the West End,

and New York by storm. Beyond the Fringe was both original and funny. For the first time on the stage politicians, churchmen, and the armed forces were publicly guyed, and Cook scored a great personal success, especially in his spool of prime minister Harold MacMillan. Since Beyond the Fringe every British institution has been

open to subversive attack. All four members of the team went on to great success. and Peter Cook quickly made his mark by helping to finance the satirical night club, The Establishment (which re-created the career of Frankie Howerd), and Private Eue. But in recent decades Peter Cook's talent has been unpredictable and wayward. He became a very heavy drinker, and in intermittent television appearances seldom managed to project the wit and knowledge he was capable of in his private

In 1965 he formed a partnership with Dudley Moore, which created the successful Not only ... But Also television series, best remembered for the musings of those bar room philosophers Pete and Dud, whose ruminations, sometimes improvised, could hit the heights of surreal humour. In the 1970s the pair resurfaced as Derek and Clive in albums which were most noteworthy for their foul language.

At the time of his death Peter Cook was reshaping a new career as an actor and had released a golf instruction video, "Peter Cook Talks Golf Balls"; this title sums up the puerile side of his humour which subverted his public reputation. In contrast to his weakness for all things bawdy, he lived in a fine Hampstead house - once the home of H.G. Wells - and thoroughly enjoyed spending the money

Cook showed little jealousy of the fame of his fellow Fringers - Moore, the Hollywood actor: Bennett, the revered playwright; Miller, the director and pundit. He was once sked whether he wished his career had progressed more satisfactorily: "I suppose I might have some regrets...but I can't rememer what they are".

he had accumulated.

# INTERNATIONAL

**M** AMSTERDAM **CONCERTS** Het Concertgebouw Tel: (020) 671

 Royal Concertgebouw Orchestra: conducted by Valerie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 18, 19 Netherlands Philharmonic

Orchestra: Hartmut Haenchen conducts Smetana, Janaček and Dvořák at 8.15 pm; Jan-10, 11 Royal Concertgebouw Orches with soprano Inga Nielsen, and mezzo-soprano Elisabeth Laurence. Charles Dutoit conducts Lutoslawski, Debussy, Stravinsky and Bartók at 8.15 pm;Jan 12,13,14

at 7.30 pm; Jan 16

Alberto Zedda at 8 pm; Jan 13, 15 conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12 (1.30 pm), 17, 19

OPERA/BALLET Deutsche Oper Tel:(030) 341 9249 Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Gien Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7.pm; Jan 14 (6 pm), 17, 19

Der Rosenkavaller: by Strauss. Conductor Jiff Kout, production by Götz Friedrich at 6 pm; Jan 15 Madama Butterfly: by Puccini.

Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm: Jan 18 Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)

**■ BRUSSELS** CONCERTS Philharmonique de Bruxelles Tel: (02) 507 84 34 ● Abdel-Rahman El-Bacha: olanist plays Chopin at 8 pm; Jan 11 Belgian National Orchestra: with soprano Zsuzsa Misura, baritone

**E. LONDON** 

Andres Molner and conducted by

Yuri Simonov plays Wagner at 8 pm;

CONCERTS Barbican Tel: (071) 638 8891 Briggite Fassbaender: the mezzo-soprano with the Academy of London conducted by Richard Stamp plays Beethoven and Mahler

London Symphony Orchestra:

Queen Elizabeth Half Tel: (071) 928 Cantabile: four man vocal harmony group consisting of counter-tenor Morgan Crowley, tenors Paul Hull and Mark Fleming and baritons Michael Steffan

performs songs of love and war at 7.45 pm; Jan 17 Messiah: by Handel. James Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15 Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn,

Jan 12 The London Philharmonic: conducted by Elgar Howarth plays Gabrieli, Stravinsky, Birtwistle and Byrd/Howarth at 7.45 pm; Jan 16 GALLERIES National Gallery Tel: (071) 839 3321

Mozart and Beethoven at 7.45 pm;

 The Young Michelangelo: small exhibition of the artist's early work. Part of the 'Making and Meaning' series; to Jan 15 Victoria and Albert Tel: (071) 938 8500 Warworks: women photography

war through the eyes of international women artists; from Jan 11 to Mar OPERA/BALLET English National Opera Tel: (071) 632 8300

and the art of war. A perspective of

pm; Jan 11, 14, 18 Royal Opera House Tel: (071) 340 Cinderella: music by Prokofiev.

Figaro's Wedding: in house debut

for conductor Derrick Inouye at 7

Created by Fredrick Ashton in 1948. this was the first full-length ballet by an English choreographer at 7.30

 Cosl Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 18 Otello: by Verdi. Conductor Carlo

Rizzi, director Elijah Moshinsky. In Italian with English surtities at 7.30 pm; Jan 13, 17 Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 16,

National, Lyttelton Tel: (071) 928

 Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 17, 18 (2.15 pm) , 19 ● The Children's Hour: by Lillian Hellman, directed by Howard Davies

at 7.30 pm; Jan 10 (2.15 pm), 11

■ NEW YORK

CONCERTS Alice Tully Hall Tel: (212) 875 5050 Garrick Ohlsson: pianist, begins a six recital series covering the complete solo piano music of Chopin at 3 pm; Jan 15 GALLERIES

Museum of Modern Art Tel: (212) 708 9480 Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10 OPERA/BALLET

Lincoln Center Tel: (212) 721 6500 ● Heather Watts Final Performance: New York City Ballet principle dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Valse

somehow withdrawn. Her Odile was

Triste' at 7 pm; Jan 15 Metropolitan Tel: (212) 362 6000 ● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 11, 14 (1.30 pm) , 18 • L' Elisir d' Amore: by Donizetti.

Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 14, 17 • Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8

 Madama Butterffy: by Puccini at 8 pm; Jan 10, 13 Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco, James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chemov at 8 pm; Jan 19

Vivian Beaumont Tel: (212) 239 6200 Carousel: revival of the 1945 Rodgers and Hammerstien musical at 8 pm; to Jan 15 (Not Mon)

PARIS

pm; Jan 12, 16

THEATRE

CONCERTS Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 Choir and Orchestra of the Kirov Opera: with soprano Valentina Tsidipova, mezzo-soprano Olga Borodina, tenor Gegam Grigorian and conductor Valery Gergiev plays

Verdi's 'Requiem' at 8.30 pm; Jan

 Nethalie Stutzmann: contralto and pianist Inger Södergren plays Schumann, Debussy and Tchaikovsky at 8.30 pm; Jan 17 Virtuosos of Moscow: violinist Vladimir Spivakov plays Haydn, Bartók and Tchaikovsky at 8.30 pm;

GALLERIES Institut du Monde Arabe Tel: (1) 40 51 38 38 Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made

a lasting impression on his art; to Jan 15 (Not Mon) ■ WASHINGTON

CONCERTS

(7 pm), 18

Kennedy Center Tel: (202) 467 4600 National Symphony Orchestra: with soprano Elizabeth Futral and mezzo-soprano Claudine Carlson. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14, 17 (7 pm)

 Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30

pm; Jan 11 OPERA/BALLET Washington Opera Tel: (202) 416

7800 Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 13, 16 (7 pm) The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 19 Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14

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from his first marriage.

Peter Cook married three

times, and had two daughters

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rodcom may sound like the name of a Soviet Union. But the title is just part of the latest bout of free market reform in the Central Statistical Office, the main data-gathering body for the UK government.

In the months ahead, the CSO will be engaging in its first private sector joint venture to market a new series of statistics, known as "Prodcom", or Products of the Eurooffer new data such as import penetration figures, which will be sold at commercial rates to businesses and other users.

The initiative is part of a broader programme of market reforms at the CSO to improve the quality of government stanew sources to supplement government fundin

However, there is growing controversy over how far Whitehall should fund - or even control - the country's statistics. And privatisation initiatives such as Prodcom which raise the cost of CSO publications, are stirring up concern about public access to

The new approach to data collection and marketing stems from management reforms in the CSO, which became an independent executive agency in 1991. Its current chief executive, Mr Bill McLennan, is an outspoken Australian headhunted from the Australian Bureau of Statistics.

In the 1980s, the CSO had been through a period of staffing cuts when the range of statistics was reduced to lessen the burden of red tape for businesses. When Mr McLennan arrived, there was a growing belief that some of the government's economic mistakes – including the failure to forecast the overheating in the late 1980s and the subsequent recession - might have stemmed from poor official

There were also criticisms of the integrity of government statistics, with widespread leaks of data before publication and occasional suspicions of

political interference. Since Mr McLennan's appointment in 1992, the organisation has distanced itself from the government and politics. Ministerial access to data before publication has been sharply reduced. And Mr McLennan has stressed that the CSO is no longer simply serving the government, but seeking to provide statistics to husiness and individual users.

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# Still a figure of respect

Gillian Tett on the controversy over UK official statistics



These changes have boosted the CSO's standing in the City. "It is much more open than it used to be," says Mr Adam Cole, UK economist at brokers James Capel. "The changes inspire confidence."

But, says Mr Cole, it is not clear how much accuracy has improved. The gross domestic product data remains prone to revision and the organisation's coverage of the service sector and financial flows is often weak. The accuracy of trade data is also uncertain, follow-ing introduction of a new European Union data collection system last year.

But Mr McLennan's changes have given a new credibility to the figures, speeded up their publication and improved their presentation. "I am very much into all this public relations he says. "There's not much point having the best numbers in the world if the only person who looks at them is yourself." The improvements in the

quality of the CSO's statistics

have been accompanied by

measures to privatise parts of

its work. So far, the only statis-

tical process to be fully con-

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tracted out to the private sector is the collection of data for the retail prices index. There are no plans yet to privatise the processing of data. But the next data collection exercise to be put out to tender will include part of the CSO's man-

Contracting out this business data could prove more controversial than the collection of prices for the RPL Research for the CSO last year revealed that a large proportion of businesses would not release confidential information to a private sector group. Some CSO civil servants have seized on the survey as a rallying point to oppose quietly the atisation trend

thers, such as Mr Ian Maclean, chairman of the UK Statistics Users Council, a watchdog group, fear that privatising data collection could erode the quality of offi-cial statistics, which depends on consistency of collection. Another controversial aspect of the management changes is a new approach to marketing -and selling - data. The CSO

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currently relies on public funding of about £43m, about 95 per cent of its revenue. In Denthird of the revenue of the gov-ernment statistical office is commercially generated.

Prodcom is an attempt to meet the data needs of business at a price it can afford to pay. But Mr Maclean says he is alarmed by the way in which the venture has led to higher priced data. "In countries like the US, government data are seen to be a public good, but the UK seems to be going in the opposite direction.

Some believe there is scope for more privatisation. "If the whole thing was contracted out, the CSO would pretty soon learn what kind of statistics were actually wanted," says Mr Doug McWilliams, director of the Centre for Economic and Business Research, a consul-

Mr McLennan insists that there is nothing wrong with the organisation seeking to and commercial role. Although the CSO is increasingly seek-ing to make a profit from selling its statistics, it is also trying to increase free public access to statistics by expand-ing the quantity of data in libraries, he points out.

The ambiguity in the role of the CSO, however, may be harder to disguise this year, as the Treasury conducts a review of the organisation including looking at radical options such as privatisation. At the same time the CSO is also seeking a new director to replace Mr McLennnan. who leaves in the spring at the end of his three-year contract.

The most likely outcome of continuation of the CSO as an executive agency, although perhaps under a new framework document that will per-

Further privatisation will be hard to avoid given the freezing of Whitehall running costs. And if it generates more funds for the CSO, and gives a sharper edge to coverage of areas like the service sector, it could add to the improvement in the quality of statistics. But the new credibility Mr

McLennan has won for the organisation could be dented if se reforms provoke outrage about the pricing policy of its publications, or concern at data quality. And since the figures are so fundamental to the government's economic policymaking process, the CSO is an area of Whitehall with which the government can ill afford to gamble.

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#### Joe Rogaly

# Dim light on a new dawn



problem. How are we to get from here to there? It is pleasant to dream of the tumbrils setting off in 1998, carrying hereditary peers away from their right to vote in the Lords. We may fantasise after every lunch about the future Scottish parliament, sip evening drinks Britain's new bill of rights, and smile, smoke curling from our fat Havanas, as we picture the revitalisation of local government. What ecstasy it will be in that new dawn to be alive! Snap. Wake up. None of this will come to pass if the Conservatives win a fifth term of office. Please do not laugh. This is serious. They might. As Mr John Major intimated at the weekend, 24 to 30 months is a long time in politics. Technically, he need not call an election before the beginning of June 1997, although he

would be hanging on by his fingernails if he waited until then. If his own backbenchers give him their support, he can prolong the big game. The country is quite evidently disenchanted with the government, but the Labour party cannot yet be sure of the affections, or, more important, the trust, of the voters. I am not about to make the

mistake, perpetrated by so many of us more than once over the past few years, of forecasting that the prime minister's fortunes have taken a turn for the better. Never again. It is, however, prudent to venture a different assumption - that Mr Tony Blair's skip across the light blue waters of mild conservatism might end in a dunking.

Why should it? It need not, but it could. The leader of the Labour party is still doing well. He is in the first flush of his new job. Surely this cannot last. Sooner or later he will have to engage his party in debates about policy, and win. Several such rough-and-tumbles may reasonably be expected this year. Not the least of constitutional reforms. Mr Blair has described this as one of the defining issues of the next election. So it should be. It is certainly the only item that truly distinguishes the opposition from the governing party. Yet we reformers must not make the strategic error of assuming that just because the

change is obvi-ous to us it is Reformers must accepted by everyone else. A case must be The first prifor change is ority is to establish that, contrary to the assertions of

ael Portillo and Mr Major himself, the present arrangements do not work. A useful handbook for those who must undertake such an exercise was published last week. The Times Guide to the New British State\*, compiled in a country in which "the names, addresses and telephone numbers of the various organisations...that exercise power over us are often not made available", tries to map out the laocoon monster that passes for our constitution. It confirms all your worst suspicions about the network of departmental agencies, quangos, nondepartmental public bodies,

castrated local authorities and

Whitehall cartels. The execu-

tive has run amok. It must be

made.

both Mr Mich-

Voters who fall asleep at the mention of the word "constitu-tion" know that nobody seems to be in charge of our prisons, that overpaid flunkeys run our hospitals, and that too many senior Tories have been caught in one act of moral turpitude or another. As to devolution. the simple question "why is it right for Northern Ireland to have its own elected assembly and not Scotland?" is easily

The second half of Mr Blair's task is to establish the depth of his own commitment to genuine reform. Yes, yes, we know he has promised a Scottish parliament in the first year, but that was an

inherited

sion for overall

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pledge. How not make the error deep is his pasreform? The of assuming that Labour party because the need obvious to us it is Democrats and others if it accepted by everyone else their support in a hung par-

> the beneficiary of a Canadianstyle anti-Conservative landslide it may become an execu-tive run riot. This uncharitable thought has inadvertently been revived by a pamphlet, as yet unpublished, by Mr Graham Allen. Mr Allen, a Labour MP, was a thinker on democratic and constitutional affairs in the team led by Mr Blair when he was shadow home secretary

under the late Mr John Smith. "The pluralists in the Labour party are relatively few in number and have lost their champion," writes Mr Allen, clearly alluding to Mr Smith. "in the run-up to the next general election, the outcome of the battle between pluralism and centralism within the Labour party and then within

Nor is this proposition of interest to intellectuals alone. Voters who fall asleep at the sovereign competing institu-tions checking the executive. Most of what he argues for is Labour policy, but to a reader between the lines the author is uncertain about the intentions of his present leader, not to mention Mr Jack Straw, Mr Blair's successor as shadow home secretary. He wants further irrevocable commitments, as many as possible, now.

More than that is required if Mr Blair is to succeed in selling new Labour, new constitutional reforms, renewal, new this new that and new the other. It is not enough to say that safeguards are needed because the executive is too strong. The positive benefits of plural democracy must be demonstrated, and explained to the interested parts of the electorate. Is it really sensible to deprive hereditary peers of the vote if the immediate consequence is the use of new patronage to create hundreds of new Labour new peers?

That is a peripheral ques tion, one of many, but there is a greater, 21st-century, conundrum. Is a complex administrative structure apposite when the functions of government are or should be withering away? The monitoring and regulation of privately or independently managed activities may not be most efficaciously undertaken by two central and a dozen regional legislatures, along with scores of local councils and hundreds of parish committees. It is the kind of question that in the old days would have been suffocated by the hundred pillows of a royal commission of inquiry. Mr Blair and Mr Straw have yet to show that they comprehend the problem.

\*By Michael Dynes & David Walker. Times Books. 360

#### THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

#### **Employer** liability over stress

From Dr C C Harling. Sir, Richard Wolffe rightly emphasises in his article, through employers system" (December 30), the increa and increasing cost of, stressrelated personal injury claims being brought in the UK. The case referred to in the article (Walker-v-Northumberland County Council) also emphasises a more general point con-

cerning employers' liability for injury to their employees. Published reports of the Walker case indicate that the employer was found to have breached its duty of care for Mr Walker when he returned to work after his first period of absence. The employer allowed him to return to his old duties without considering whether he was more vulnerable to injury (that is stress-induced mental illness) as a consequence of the illness which had caused the absence. The employer had been put on notice of this potential vulnerability by the duration of absence and the serious nature of the condition recorded on

the sick note. Although it was the subse quent overwork that caused the injury, liability attached to the employer when he returned to work without provision being made for rehabilitation or reduced workload

This case, although more complex than the point made here, emphasises employers should take care when accept-ing staff back to work after prolonged sickness absence. Taking, and acting on, specialist occupational medicine advice at the point of the return to work would avoid

unnecessary injury and thus, subsequent liability.
C C Harling,
8 Burlington Road. Bristol BS6 6TL

### Right to decide

Sir. In your editorial, "Russia's blind alley" (January 6), you argue that the people of Chechnya have a right to self-determination even when this involves changing an existing international bound-

Surely, in the case of the

people of Gibraltar where the

international boundary was changed in 1704, there can be no question whatsoever of their right to self determination being denied. J J Bossano, chief minister of Gibraltar, 6 Convent Place,

### Door is open to UK banks' payment clearing system

vation: "UK banks have historically resisted efforts to open up the clearing system to foreign banks and building societ-

ies..." This is not the case. Indeed, far from there being resistance, the door has been wide open for nearly 10 years. The Association for Payment Clearing Services was set up principally to oversee the open development of the major payment clearings in the UK.

settlement membership of Apacs. These criteria meet fully the requirements of both the European Commission and the European Monetary Insti-Together with the big high street banks and building soci-

eties, Apacs' members include Citibank NA, Crédit Lyonnais and Deutsche Bank.

Several hundred other banks and building societies have chosen to provide customers

Since December 1985, any bank with high quality money trans-Sir, I was concerned to see or building society which on your front page ("Labour pledges shake-up of high street entry criteria can take up full ings. Thus we have a situation where, in the UK, open access and freedom of competition in payment clearings are the envy of many other countries around the world.

RIL Allen, chief executive Association for Payment Clearing Services. Mercury House, Triton Court. 14 Finsbury Square

London EC2A 1BR

#### Subsidy, not just fraud, root of problem

resources inherent in, and con-

sequent on, the subsidy. This

From Mr G J D Lemos.

Sir, Your article on the apparent Greek cotton fraud ("EU threatens Greece with huge fraud fine", January 7)
could helpfully have reported
the wider background; for it
becomes plain that the European Commission is straining at the gnat of fraud having swallowed the camel of a grotesquely extravagant and wasteful subsidy.

At the time (and it is not so different today) about fivesixths of the price received by the cotton farmer was subsidy. The incentive for fraud is obvious: if a distant bureaucracy is ready to pay six times the market price for a commodity, can you expect it to worry about

the amounts it buys? The scale of fraud is small by

waste is much bigger than may appear at first sight, for at the market price cotton cultivation in Greece would scarcely be The subsidised price has led to the over-cultivation of cot-

ton, virtually to a monoculture in some areas. Fraud or no fraud, the subsidy has stimulated its own inflation. But there is worse. Cotton needs a lot of water:

the intensity of cultivation has led to a severe depletion of underground aquifers. To meet the threatened water shortage in Thessaly, one of the principal cotton growing regions, the Greek government proposes to divert the waters of the Athel-

comparison with the waste of | ous river. Environmentalists generally regard this scheme ceeded before the constitutional court in holding it up. But, if it went ahead, it would be financed, at least in part, by

EU funds. Thus, more EU resources would be expended on a scheme whose positive justification is the maintenance of agricultural production itself

dependent on EU subsidy. The level of subsidy is thus the root of much mischief, not merely fraud. The subsidy must be reduced. It is fatuous just to ensure that money is scrupulously wasted. G J D Lemos,

Freud Lemos, 36 Great James Street.

#### Mexico: hard to explain

From V Crozier. Sir, All complex analysis of conomic data aside, there is clearly something wrong when middle-class Mexicans sit down to breakfast cereal made in the US. Similarly, it is hard to explain to a secretary that sal-ary increases must be limited to 7 per cent ("Mexican nerves on edge over wage pact tight-rope". January 5) when her mortgage now costs her a shade above 45 per cent per | Paris, annum. Those persons who | France

tightened their belts in 1982 and have had little opportunity to release them are being called upon again.

There has been much writ-ten about international investors jumping ship; historical precedence is that the wealthy and politically connected Mexicans reach the gunwales ahead of the rest. rue Spontini Paris, 75116,

#### Picture aroused sympathy

Sir. I refer to the letter from

Mr Patrick Heren (January 6). The printing of photographs in the newspapers is another way of conveying the news to the public and highlights what is already in the newsprint. I do not think the picture you published on January 4 was in any way distasteful or disrespectful. If anything it aroused sym-

pathy for the soldier dying for It is the duty of the media to highlight such news by photographs to convey the intensity of such useless wars and the loss of human life, whether it is the soldier or an innocent member of the public. I H Khan,

10 Tillingbourne Gardens. London N3 3JL

#### Not such a good feeling

From Mr Ernest G Gobert. Sir, I have been reading the FT daily for the last 30 years or so (except for a few days in order to punish you when you told your readers to vote Labour).

One of the reasons for my devotion to your paper is Lex. Sound, well reasoned, well written in good English. Until Priday ("UK retailing", January 6).

Alas, Lex has succumbed to the "feel-good" factor. Surely the "feel-good" factor is what you experience when you are close to your lover. But this hardly applies to the antics of the stock market or the governor of the Bank of England or the chancellor of the exche-

I suppose a tip of the iceberg and a level playing field will be next. Clearly. Ernest G Gobert. 3 Beechwood Drive Marlow, Bucks SL7 2DH

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investment. And that's a fact no luxurious amenity can overshadow. For more information, call Raytheon Aircraft Company at 1-315-676-7072 or in the U.S. at 1-899-835-7767 ext 302.

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Tuesday January 10 1995

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Télévision à la française

Yesterday's legal opinion that the outgoing European Commission lacks the authority to decide on plans for tougher restrictions on broadcasting policy marks a victory for liberals in Brussels. But it may produce no more than a temporary ceasefire. The French government, which has led the campaign for tighter curbs, appears determined to make the issue a priority of its EU presidency in the first half of this year. Further battles are therefore in prospect.

France has two main objectives. in the name of defending Europe's audiovisual industry against US competition, it wants to make binding the existing - largely voluntary – guidelines which call on European broadcasters to ensure that at least half their program-ming is of EU origin. France also wants broadcasters to be compelled to invest a minimum proportion of their budgets in European productions.

Proposals along these lines from the European commissioner responsible have not only infuriated Hollywood, but have split the Commission and the EU down the middle. Though some Mediterranean countries broadly support them, northern members, led by Britain and Germany, are adamantly opposed. They object that broadcasting quotas, as well as being overtly protectionist, fly in the face of technological reality. Though such heavy-handed regulatory intervention would ultimately be defeated by the spread of alternative communications channels, it risks frustrating the development of Europe's multimedia and information industries.

Barriers

Mandatory quotas would also contradict the original intention of the EU's five year-old "Broadcasting without Frontiers" directive. This set out to achieve the minimum harmonisation of national policies needed to remove obstacles to a single market in television. France's demands, by con-trast, would raise barriers around the EU without doing anything to promote cross-border trade in

audiovisual services inside it. France responds that what is at stake is not economics, but the integrity of European culture. The argument has undeniable emotional appeal, at a time when

identity threatened by globalisation and technological advance However, the French government for all its protestations of Euro peanism, is not out to save European culture. Its overriding concern is to safeguard its own film and TV industry.

Regulatory edifice

No French minister has seriously contended that EU broadcasting quotas are intended to increase the amount of British German or Italian programmes shown on French television - or that that is what French viewers want. France's real interest is in trying to shore up the elaborate regulatory edifice of programming quotas, subsidies and restrictions on competition which it has created in an effort to protect its national film-making and television production industries.

French broadcasters have long complained that they are placed at a competitive handicap by measures such as the requirement that they pay out as much as 25 per cent of their turnover to finance local production. The French government's objective appears to be to "level the playing field" by getting Brussels to impose similar burdens on the rest

of the EU broadcasting industry. Any other EU members tempted by the French approach should examine its results closely. Efforts to ban US game shows and soap operas have have merely encour aged home-grown imitations. Hollywood films remain box-office favourites, and though some recent French films have done well at home, few have earned big profits abroad. Many others have been commercial failures. Nothing suggests that a heavily protected national market stimulates better programmes for domestic viewing or provides an incentive to cater to international audiences.

In truth, quotas are not needed where local programme quality is adequate. Subsidies to raise local production standards are reason able at national level. But the Europe-wide measures France advocates would do more harm than good. If its EU partners want a thriving audio-visual market, they should recognise its proposals as self-serving nationalism and

oviet-era superlatives may no longer be appropriate to today's recession-ridden Russia. But they still apply to Gazprom, Russia's biggest company and, by at least one definition, the largest hydrocarbon producer in the world, with output greater than that of Saudi Aramco.

Later this year Gazprom, Russia's monopoly gas producer and distributor, plans to sell 9 per cent of its shares to foreign investors.

Some western investors see this as a unique opportunity to get in on the ground floor in a company that could dominate for decades one of Europe's most important and fastest-growing energy markets. Others, however, wonder whether Gazprom can transform itself into a fully competitive, international company, given its bureaucratic culture and the economic and political uncertainties that bedevil Russia.

What is not in dispute is the size and scope of Gazprom's reserves and operations. It controls 34 per cent of the world's known natural gas reserves, supplies nearly a fifth of total west European gas demand and is the country's single largest source of hard currency, earning between \$6bn and \$7bn a year.

Internationally, bankers regard it as the most creditworthy of Russian companies. At home, Russians joke that Mr Viktor Chernomyrdin, its former chairman, took a demotion to become prime minister.

Its plans are ambitious and, to some westerners, a bit frightening. At a presentation in New York last year, Mr Rem Vyakhirev, Gazprom chairman, spoke about the development of yet another giant gas field. "Our grandchildren will work for Gazprom," noted one US banker. Gazprom 2094: Big Brother," scrib-

Yet it is Gazprom's size and monopoly status that attract many western investors and bankers. Unlike the Russian oil industry. there has been no attempt to split the company into smaller units. Its influence is such that, last

year, 34 per cent of its shares were sold for privatisation vouchers in a closed auction mainly held in gasproducing regions, rather than through the open offer system used for other privatisations. This meant that a large proportion of the shares went to investors in western Siberia, the heart of the company's operations. Employees hold an additional 15

per cent, while the state retains a 40 per cent stake. Foreign shareholders will be sold the shares now held by the company, a 10 per cent stake. The company enjoys an independence from government that reflects the country's overwhelming dependence on gas. Russian indus-

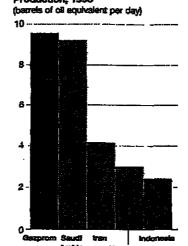
try is one of the most gas-intensive

in the world, and gas provides the

Gazprom, Russia's monopoly gas company, plans to sell shares to foreign investors. Robert Corzine, Nicholas Denton and John Thornhill explain why

# Ambitious but a bit frightening



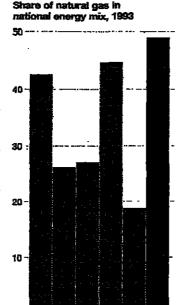


Source: BP Review of World Energy

bulk of Russia's heating needs. The company is not without its domestic critics, however. A group of officials in the Ministry of Fuel and Energy argues that Gazprom should be broken up to introduce greater competition and efficiency in the domestic gas market. They are trying to encourage other companies to develop gas fields independently of Gazprom.

Western experts who have spent time with Gazprom say it makes sense to keep it intact, at least in the medium term. "Gazprom is among the few Russian organisations that actually works," says Mr Jonathan Stern, a consultant for the International Energy Agency, the west's energy-monitoring body.

For the moment Gazprom's directors exude confidence. They can be scornful of the reserves and expertise of foreign companies, and have rejected almost all proposals jointly Russia's Gazprom: ahead of the pack



US

Gas reserves, 1973-93

("000bn cubic metres)

to develop fields in Russia, although they say such co-operation may be possible for particularly remote and technically demanding projects.

Gazprom has, however, been busy forging alliances and relationships with western energy groups and suppliers. Last month, it took a 10 per cent stake in the UK-Continent Interconnector, a £440m undersea pipeline being financed by a number of international energy companies to link the British and Continental European gas grids.

It has a 35 per cent stake in Wingas, a joint venture with Wintershall, the natural gas subsidiary of German chemicals giant BASF. It also has partnership arrangements with companies including Ruhrgas, the German gas company, British Gas, Snam of Italy and Enron of the US. Such companies are among the many mentioned as possible trade investors in Gazprom, although

Bosnian peace needs Italian input

most are non-committal.

But why is Gazprom so keen to see foreign companies on its shareholder register? After all, say industry observers, Gazprom can enter industrial alliances with ease, there is growing western demand for Russian gas, it can raise international loans and it receives preferential treatment from the present government in Moscow.

The main reason is a cash shortage, caused by its need to refurbish much of its network and expand its export capacity at a time when its bad debts are at record levels.

The company's annual sales are thought to be equivalent to \$10bn-\$11bn. But it is owed about Rbs7,000bn by Russian industrial customers and former Soviet republics. It is politically impossible for it to cut off key industrial users. The company is pressing ahead with improving the efficiency of its

production and pipeline network. Although Gazprom has long been able to buy critical equipment from abroad, parts of the system are less efficient than those of western counterparts. Gazprom's management realises that "they could make major savings by spending some

money now", says Mr Stern. Gazprom also needs to expand its export capacity and flexibility. At present the main export pipeline to western Europe runs through Ukraine. That gives Kiev a potential stranglehold over the company, a fact which Gazprom's western customers view with concern.

The company wants to build a multi-billion-dollar pipeline between its vast gas fields in the Yamal Peninsula of Arctic Russia and western Europe via Belarus and Poland. Gazprom needs to go ahead with that pipeline even if it doesn't have the long-term contracts to fill it,' says Mr Stern. It will not eliminate Gazprom's dependence on Ukraine, but it at least represents a "credible alternative" for some customers.

hood of Gazprom succeeding in its share proposed observers are sceptical that the transaction will take place as planned. One corporate financier recently put the likelihood of the

offering coming off at 25 per cent. Others say that, as long as Gazprom's financial data remain fragmentary and distorted, its advisers and potential institutional investors may not feel able to go ahead. There are also concerns about Gazprom's ability to manage its share register. It says it will use its powers over the registration process to ensure a ring fence between domestic and foreign shareholdings. But foreign investors have recently complained about the ability of Russian companies to maintain share registers accurately.

Western industrial investors may view a Gazprom shareholding in more strategic terms. They might also be able to use their knowledge of Gazprom's operations to make a more accurate assessment of the true state of the company.

But they too are concerned about the uncertainty in Russia. "You do not know whether your dividend rise will be greater than the rouble's depreciation," says an executive with one western company.

In spite of such problems, the prospect of being among the first foreigners to buy into Gazprom, whenever the offering takes place, has excited some investors. But a successful offering is likely to depend less on the company's ability to dazzle investors with its size than on how it impresses them with its mastery over the financial details of its far-flung operations.

#### reject them. Brown targets the banks

The UK clearing banks have always been a soft target for politicians, most notably so in the early 1980s when they were subjected to an arbitrary 2½ per cent levy on their non-interest bearing deposits by a Tory government. With profits now soaring thanks to the elimination of large provisions for bad debts, they are once again looking vulnerable to predatory political attention. A set of proposals from shadow chancellor Mr Gordon Brown, including a new regulatory body for banks; looks well designed to raise the bankers' blood pressure. Yet, at this stage at least, Mr Brown's bark looks a great deal worse than his bite. Labour is not arguing that the banks' profits are excessive overall: merely that the recent improvement in profitability gives them an opportunity to address public concern over the cost and quality of their service. The role and powers of the proposed banking regulator have yet to be fully explained. Yet it seems that it is intended to be less like the existing utilities watchdogs, more a small-scale Office of Fair Trading (OFT) specifically for banking,

The traditional case for separate good feel regulatory arrangements for bank-ing rests on externalities: the fact that excessive risk-taking by a single bank has consequences for the rest of the system because of the instability inherent in financing loans with demand deposits. Depositors can precipitate runs. That is the real rationale for prudential supervision, the lender of last resort function of central banks, and of deposit insurance, even if consumer protection has loomed larger in recent banking legislation than in the economic textbooks.

with a mandate to monitor compe

tition, improve transparency and

champion the general cause of the

customer. The question is whether

Moral hazard To make the case for widening this remit in the way suggested by Mr Brown, it is necessary to show that competition in banking is somehow uniquely different and that in its present form it works to the detriment of society. This is certainly arguable, in that deposit insurance creates moral bazard by removing the depositor's incentive

does not address this point, which is at the root of much recent lossmaking. He appears, instead, to believe that there are pockets of excess profit arising from poor

competition in retail banking. This is hardly true on the deposit side of the balance sheet. where a surfeit of banks and building societies in the high street offers a welter of different products. If there are constraints here, they reflect the regulatory inhibition on building societies ability to raise wholesale money. Yet the fact that Labour proposes a regulator for the limited area of commercial banking suggests that the conception of this watchdog has been half-baked. If retail banks are realistically defined to include building societies, Britain has more nationwide banking coverage than most

More merit

On the asset side, the case against the banks has more merit. Real rates of interest on some consumer loans look high, while the charges levied by some banks for overdrafts, unauthorised or otherwise, can be swingeing.

Yet the information about charges is publicly available, and the terms levied by some of the big clearing banks' competitors in today's deregulated marketplace look cheap. If banks' notoriously inertia-prone customers do not wish to respond to such price signals, is a mini-OFT worth the bother?

The one area of Labour concern which unquestionably does merit serious attention is small business, which is excluded from the securities markets and so dependent on bank finance. Monetary policy thus bears very heavily on this sector in a downturn. Having been burnt in the somewhat freakish circumstances of the last economic cycle, it is possible that the banks may be overreacting by charging an excessive risk pre-

Here Labour offers the additional, if familiar, suggestion of an increased role for regional development agencies. Given the losses incurred by the clearing banks, the taxpayer will need considerable reassurance that such lending is well directed and monitored. The politics of this package are transparent enough, but the ecoto monitor banks. But Mr Brown nomic case looks deficient.

conflict looks somewhat different and even more distress-PERSONAL ern or northern ing than from west-VIEW Europe, let alone the US. Our geographical position makes Italy particularly sensitive to

what is going on close to its borders. But it is not only a question of security: Italy considers the prolonged conflict in former Yugoslavia as a "wasted opportunity". When the Berlin wall came down, the Italian government saw the chance of integrating central Europe and the Balkans into western Europe's market and institutions. Integration and Europeanisation were seen as the path to modernisation, as opposed to a nightmare of "balkanisation" and political fragmentation. The

The Bosnian quagmire highlights the increasing responsibilities that

break-up of Yngoslavia and the Bos-nian tragedy dealt a blow to our vision: the nightmare is now real-

role so far in this conflict in its own back-yard has been unsatisfactory. but should not be underestimated. If the EU had not been there, the Balkan crisis could have stirred up a broader conflict - as in 1914.

Under the present circumstances the only choice for the international community is to pursue a "twotrack policy": containing hostilities on the military side; continuing to search for a political solution on the diplomatic side. As for containment, the UN pro-

tection force still has a crucial role to play. Despite criticisms of its role, the 25,000-strong UN presence in Bosnia helps in defusing problems, guarantees a degree of humanitarian aid and ensures that war does not spill beyond Bosnia.

The consequences of a UN pullout, therefore, would be catastrophic - politically and psychologically. But no less catastrophic would be a lifting of the UN arms embargo against Bosnia. This could fuel the Moslems' vision of a liberation war that would be as unreason-

ing the warring parties in Bosnia to their own devices, the international community would discredit itself and jeopardise the increasing hopes

of a political solution. Whether we like it or not, Belgrade remains the "crossroads" of

Lifting the UN arms embargo against Bosnia could fuel the Moslems' vision of a liberation war

any possible peace process. The help of Mr Slobodan Milosevic, Serbia's president, may not be sufficient to achieve peace in the former Yugoslavia, but peace will be impossible without his support and assent. On my visit to Belgrade in December, I got the impression that Mr Milosevic is enforcing the trade embargo against the Bosnian Serbs satisfactorily. He is shrewdly manoeuvring to persuade Mr Radovan

Seen from Italy, less European diplomacy needs to con-than 100 miles European diplomacy needs to con-than 200 miles front to avoid destabilisation of the Serbs' attempts to cut too big a slice liament to see reason. Europe, while at the same time guaranteeing the rights of the Mosaway, the Yugoslav continent. The European Union's of Bosnia for themselves. By leav- It would be wrong to make a lem population within the new

naive distinction between "good guys" and "bad guys". Mr Milosevic and Mr Karadzic share basically the same goal - creation of a "Greater Serbia" that would include parts of Bosnia. Only their tactics vary.

But Mr Milosevic's government, under the pressure of UN sanctions, has realised that diplomacy and negotiations are a better way to achieve national goals. The UN Security Council should take account of that on January 12, when it must decide whether or not to make permanent the relaxation of sanctions against Serbia. A new toughening of sanctions against Belgrade could backfire on the peace process at a time when Mr Milosevic is trying to quieten Mr Karadzic and the latter has just agreed to

a four-month ceasefire. The basis of such a political solu-tion, however, should remain the plan put forward by the five-nation contact group (US, Russia, UK, France and Germany). Our aim should be to allow Serbia to regain both its own role and dignity in

Croat-Moslem federation Bosnia.

However, Italy has so far been unfairly excluded from the contact group, despite an active contribution to the management of the Yugoslav crisis. Our country has provided crucial logistical assistance to enforce no-fly zones and to carry out humanitarian missions. without receiving the political acknowledgement it deserves. Yet the Italian government is still anxious to play an active role in the peace process

Both Serbia and Croatia would like to see the present contact group enlarged to include Italy, Japan and Canada. The creation of such a "G8" group to sort out the Bosnian mess would give fresh impetus to a peace process that has now begun to bear fruit.

Livio Caputo

The author is minister of state at the Italian Ministry of Foreign Affairs.

#### Politicians' muse

■ What is it about politicians and poetry? Is there something in the job of legislating that turns them peculiar? Former US president Jimmy Carter's ninth and latest book - a collection of 44 poems called Aboays a reckoning officially went on sale yesterday. He thus becomes the third published

presidential poet, along with John Quincy Adams and Abraham Lincoln. There are important precedents for Carter's efforts. Back in 1986 Spark Matsunaga, then senator for Hawali and no mean bard himself his ode to a traffic light has the lines "Impartial traffic cop/that blushingly speeding cars do stop achieved a lifetime ambition: the US

appointed its first poet laureate, Robert Penn Warren. Beyond the US, José Sarney. former president of Brazil, gets the muse, as does Shimon Peres. Israel's foreign minister. Radovan Karadzic, leader of the Bosnian Serbs, last year won the Russian Writers' Union Mikhail Sholokhov

prize for his poems.

Kenneth Baker, a former government minister under Baroness Thatcher, published a praised anthology of others' poetry. Apparently he also writes his own but shows it to no one. Penning poetry is not to

everyone's taste, however. "I can't

do poetry," said George Bush, having muddled up a speech writer's poetic words during his 1998 presidential campaign against Michael Dukakis. Carter's is a nicely-published,

pleasantly illustrated volume, though the poetry itself rarely rises above doggerel. Some of the titles -My first try for votes, Progress does not always come easy; and A contemplation of what has been created and why - give sufficient flavour. For more robust stuff, it's hard to

beat Clem Attlee, former Labour prime minister, who wrote an immortal limerick about himself: Few thought he was even a starter; There were many who thought themselves smarter. But he ended PM CH and OM An earl and a knight of the garter.

#### Bruges bruises

■ Tony Blair's speech setting out his vision of Britain's place in Europe to a glittering audience of European businessmen in Brussels tonight will be the first to bear the imprint of his new chief of staff, Jonathan Powell.

The former first secretary at the British embassy in Washington joined the Blair team last week. The younger brother of Charles, Baroness Thatcher's foreign policy mentor through most of the 1980s. Jonathan can expect a key role in shaping Blair's foreign policy.

# 

**OBSERVER** 



'Not veal again'

But will tonight's effort live up to Thatcher's most famous pronouncement on Europe, delivered also in Belgium six years ago? The Bruges speech of course was written by Charles.

Saatch is life

■ Now that Jeremy Sinclair (acting chairman), Bill Muirhead and David Kershaw, the North American and London heads, have resigned from Saatchi & Saatchi, it's becoming obvious that Maurice Saatchi will not meekly go off and lick his wounds. "That's the Tories, Mars and British Airways all gone

knows the group well.
All three are close pals of Maurice, but that's hardly enough to tempt them to surrender salaries believed to hover round the £250,000

There must be a plan - but what? Some insiders feel that, rather than set up another, rival agency, the group might jump en masse to the owe group, where another mutual friend, Frank Lowe, is chairman and chief executive, under the umbrella of the mammoth Interpublic agency.

So a seat on Interpublic's board for Maurice, and new jobs - with the same clients - for the rest? Lord spare us another mouthful-agency, such as Saatchi Sinclair Muirhead Kershaw.

Papered-over

■ Plus ca change at Le Monde. The worthy French newspaper for France's liberal intellectual élite is the latest French publication to try to restore its sagging fortunes with

a facelift. The new Le Monde has a slightly cleaner version of the Gothic type face spelling out its name, an exciting new thin black line just below it, and evidence of more frequent, more attractive

illustrations. Otherwise, the principal difference seems to be the belief that greater success will come through with even more words in longer articles on more pages than ever. Yesterday's had 40 tightly-packed pages.

The real reason for the alteration is of course money, or rather lack of it. Maybe there is hope after all the other key change yesterday was lots of extra advertising from well-wishers. Perhaps a re-launch every month is the secret?

Dead wrong

■ The gaffer has done it again. As Britain's MPs return to Westminster today from their Christmas break, Tory party chairman Jeremy Hanley has fired an early broadside at Labour - only to have it blow up in his

Hanley has published a list of 100 facts about the up-beat prospects for the UK economy, hoping they will prove uncomfortable for Labour.

Unfortunately, eagle-eyed MPs spotted that Hanley had got his millions and billions mixed up. "The PSBR is forecast to fall from \$21.5m in 1995-96," was one boast, followed by a claim that spending on Welsh language promotion was "now over £7.5bn". If true, that would dwarf the UK's annual spending on transport.

Just practising

Latest Florida bumper sticker: "Come back to Miami. We weren't shooting at you."

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Board accused of 'commercial vandalism'

# Satchi trio quit over resignation of founder

Charles and Maurice Saatchi sold their Saatchi & Saatchi shares last week, just days before yester-day's announcement that three senior executives in the advertising group had resigned. The company's share price fell 11 per cent on the day to close at 124p.

The three executives resigned because of their anger at the Saatchi board's decision to oust Mr Maurice Saatchi as group chairman just before Christmas.

The executives - who accused the board of "commercial vandalism" - are Mr Jeremy Sinclair, who replaced Mr Maurice Saatchi as chairman on a temporary basis; Mr Bill Muirhead, chief executive officer of Saatchi advertising in the US; and Mr David Kershaw, chief executive of the UK agency.

Mr Charles Scott, group chief executive, said their resignations and had been unaware at that were part of a "cynical campaign time that the three were to leave.

By John Burton in Secui, Tony

Jackson in New York and Louise

Samsung Electronics, the South

Korean producer of memory

chips, is considering establishing a semiconductor plant in the US

The plant, which might cost up

to \$1bn, would produce 16-mega-bit and 64-megabit dynamic ran-

dom access memory (D-Ram)

chips to meet growing demand in

the US, the company's largest

Samsung showed the fastest

growth among the world's lead-

ing semiconductor manufactur-

ers last year, with sales up 61 per

cent at \$4.9bn, according to a sur-

vey released yesterday. That

made it the world's seventh-larg-

est producer, with a market

According to the survey - from

the US company Dataquest - the world's biggest producer

remained Intel of the US, which

increased its revenues by 21 per

come in for renewed criticism in

Moscow as parliament resumes tomorrow. It will debate the Che-

chen crisis, including a bill to ban the use of armed force to

resolve internal conflicts and

demanding the publication of the

number of casualties. Officials

have reported that 256 Russians and 2,500 Chechens have been

killed since Russian troops

moved into Chechnya last month.

Truce call

Continued from Page 1

export market.

to destabilise the group". He said they would be held to the terms of their contracts, which means that they cannot work for any other advertising company - or any of Saatchi's clients - for at

He tried to stem the damage from their departures by propos-ing that Mr Ed Wax, chairman of the Saatchi worldwide agency, should be appointed to the main board, with Mr Michael Bungey, head of the group's second and more profitable network, Bates.

Saatchi's share price yesterday fell 16p on the day. However, the shares at the beginning of last week, when the share price traded between 138p and 146p. according to the company.

Mr Maurice Saatchi was last night unavailable for comment, although a friend said he had been planning to sell his stake from the moment he was ousted

Samsung may set up \$1bn

semiconductor plant in US

cent to \$10.1bn, or 9.2 per cent of

the market. It was followed by NEC (7.2 per cent), Toshiba (6.9 per cent), Motorola (6.6 per cent),

Hitachi (5.9 per cent) and Texas

Dataquest estimated that the

world semiconductor market rose

28 per cent in value last year to

\$109.7bn. North American pro-

ducers maintained their lead for

the second year running, with

However, Japanese companies

narrowed the gap, with 44.4 per cent. Other Asia-Pacific produc-

ers, including Korea and Malay-

sia, increased their sales by 63

per cent to \$10.1bn in total put-

ting them ahead of European pro-

Samsung's proposed plant would be the company's first off-

shore facility involving the com-

would be the company's second

semiconductor manufacturing

gal operated jointly with Texas

appointed Mr David Burnett as

head of its fixed interest and trea-

sury division. Warburg started a

review of bond activities six

months ago after the scale of

The bank said it was withdraw-

ing from debt market-making in

nine currencies, including French francs and German

marks, and pulling out of the

international sale of government

Warburg quits Eurobonds

site abroad after a plant in Portu-

Instruments (4.8 per cent).

45.4 per cent of the total.

ducers for the first time.

Continued from Page 1

Mr Scott said the three had shown a disregard for staff and clients by disclosing their resignations to the press at the same time as the company was informed. Their resignation letters attack the way Mr Saatchi - who last week turned down an offer to stay at the company as head of the Saatchi advertising

subsidiary - was removed.

Mr Sinclair's letter says: "This company is in the grip of people who do not understand the business and seem prepared to ignore the advice of those who do." Mr Muirhead wrote: "I warned you [Mr Scott] and the board, and anyone else who would listen to me, of the damage Maurice's removal would cause the com-

Mr Scott replied that the majority of senior executives in the group had been in favour of Mr Saatchi's removal as chairman.

See Lex; Observer, Page 15; Lon-don stocks, Page 27

In October last year, NEC, the

Japanese electronics group,

announced it would invest \$50m

in its semiconductor manufactur-

ing facility in California, becom-

ing the first company to

mass-produce next-generation 64-

Samsung, with Hyundai and

Goldstar, have led South Korea's

drive to become a world leader in

the \$23bn D-Ram market over the

past few years. Korean compa-

nies now account for approxi-

mately 28 per cent of world D-Ram production, according to

Integrated Circuit Engineering, a

US market research group, and

Samsung is the world's largest

producers of 1-megabit and

4-megabit D-Ram chips.
Samsung and other Korean

semiconductor manufacturers

are seeking to acquire US semi-

in an attempt to produce higher

value-added chips than D-Rams.

South Korea under fire over

and corporate debt securities

the UK investment bank best

able to compete with US firms.

BZW, the investment banking arm of Barclays, and HSBC Hold-

ings, are the other two British

firms with substantial Eurobond

The decision by Warburg fol-

lows intense competition in

recent months in the Eurobond

operations.

**FT WEATHER GUIDE** 

Warburg has been viewed as

megabit chips in the US.

# **Passengers** on QE2 class action

By William Lewis and Michael Smith in London and Richard

electricity company for which it has launched a £1.2bn contested bid. The offer includes fare refunds, free or discounted

City analysts expected Trafalgar to make pre-tax profits of between £65m and £90m this year before yesterday's announcement. Some assumed yesterday that the £7.5m would be taken as an expense on this year's profits but Trafalgar said no decisions had yet been made. Passengers who made the trip aboard the QE2 cruise ship last month in what were described as "building site" conditions are

Professor Christine Hall from Fort Lauderdale, Florida, said yesterday that she and other passengers planned to file a class action suit in New York seeking compensation far beyond that already offered by

Trafalgar played down the pos

# plan £40m

She said she was discussing the possibility of legal action with the law firm Kreindler & Kreindler in New York. Grounds for a claim could include safety issues, as well as the discomfort and distress caused by inade-

quate accommodation.

A separate group of up to 100

compensation terms. Mr Andrew Lennox, who repre-sents them, said that last Friday Cunard increased its offer to a full refund for the trip plus another free transatiantic cruise. Mr David Morris, chairman of

contrasted starkly with the QE2's "recent debacle".

Northern Electric questions lack

Tomkins in New York

lation of passenger bookings and considerable immediate passenger dissatisfaction". The details were disclosed in Trafalgar's offer document for Northern Electric, the regional

future voyages and cash sums.

Cunard.

gers is currently negotiating with Cunard to improve

A group of passengers who travelled on the QE2's ill-fated Christmas cruise to the US is to press ahead with a £40m (\$62m) legal action in New York despite the offer of a £7.5m compensation package to all passengers affected by the ship's problems. Trafalgar House, the UK indus-trial conglomerate which owns the QE2 through its subsidiary

Cunard, gave details yesterday of the compensation it had offered as a result of "the forced cancel-

still planning to sue Cunard.

that "on the basis of current information, it is not expected to have a material effect on the

Northern Electric, said Trafalgar's claims "to encourage an increasingly commercial culture in Northern while continuing to enhance the quality of service"

of rationale in offer, Page 24

#### THE LEX COLUMN

# Out of bondage

It has been obvious for some time that Warburg needed to take an axe to FT-SE Index: 3055.8 (-9.2) some of its less successful operations. Had the merger with Morgan Stanley Grand Metropolitan gone through, the blow could have fallen under the cover of the rational-Share price relative to the FT-SE 100 index isation of two large institutions. Instead Warburg has had to summon up the courage to take the difficult decisions on its own. No doubt the market will applaud it for doing so. Cost savings of £25m a year are not to be sniffed at, and it is not as if its international debt operations have a giorious record. The most recent blemish is the losses as US interest rates turned last year. But these came as less of a surprise to those who remem-bered the losses on European bonds 1989 · 90 91 after the Danish Maastricht referen-

Warhurg helieves, probably rightly

that its domestic franchise in sterling

bonds is strong enough to survive

without the international distribution

canacity that is now being cut. But the

capital being freed up does not appear

sufficient to buy a significant stake in domestic equity distribution in the US.

So Warburg's main thrust in that mar-

ket must remain the distribution of

international equity issues in which it

Critics will carp that this leaves

Warburg looking more like a Kleinwort Benson and less like the Goldman Sachs or a Salomon Brothers

which it once sought to emulate. The

risk remains that long-term growth

could prove elusive unless a partner is

found. The reshaped Warburg would

be a good fit for a large international

bank looking to enhance its sterling

skills. The snag is that, as the Morgan

Stanley episode shows, any buyer

would have to pay the price demanded

by minority holders of Mercury Asset

The logic of mixing Haagen-Dazs ice-cream with waffles and Mexican enchiladas is impeccable – at least in

business terms. The distribution

systems are identical, so once Grand

Metropolitan has acquired Pet it

should wring significant savings. The

deal boosts the scale of GrandMet's

operations in the US, a market where

size counts, and provides brands in

fast-growing segments such as Mexi-can and Italian foods. The manage-

ment also hopes to repeat the success

of its ice-cream operations by interna-

tionalising its newly-acquired brands.
That said, GrandMet's claims that

Grand Metropolitan

has a valuable niche.

the acquisition is earnings enhancing are disingenuous. The forecasts published yesterday excluded a £120m exceptional charge for restructuring. When included, the deal is probably dilutive for this year at very least. That does not mean GrandMet overpaid. Campbell Soup paid far more for Pace Foods on both a multiple of sales and a multiple of earnings before interest and tax.

In any case, disposals will defray the deal's cost. Pet participates in five of the US's 38 fastest expanding grocery categories. Yet sales growth was just 4 per cent last year. That indicates the existence of a number of low-growth brands GrandMet could sell.

Yesterday's 6 per cent share price fall was partly caused by the deal's unexpectedly large size. Another reason was investors' disappointment that once again they will be unable to compare two years worth of Grand-Met's figures on a like for like basis. GrandMet demonstrated with Pillsbury it could rationalise businesses quickly. Its best response would be to repeat the trick with Pet.

#### Saatchi

The so-called "bean counters" at Saatchi & Saatchi may have won the battle, but the war rages on. It must be testing the resolve of shareholders who forced out founder Maurice Saatchi last week. Mr Saatchi may have presided over a 98 per cent decline in the Saatchi share price during his chairmanship. But shares have plunged 19 per cent since investors revealed the intention to restructure

The latest three defections from greater scope for ambition.

Saatchi could undoubtedly wreak damage. They were key to the already vulnerable British Airways account. And staff morale was already suffering from Mr Sasichi's claim that the 'Ad men' had lost control.

Saatchi's problem has been gaining a balance between the interests of shareholders and those of employees who represent its main assets. The corporate excesses of Mr Saatchi left. shareholders understandably nervous But he had strong ties with staff and clients in a relationship-led business. All is not lost. Appointing the heads of the Saatchi and Bates agencies to the main board could help provide the balanced management structure that Saatchi never achieved. This could smooth out the boom-bust cycle that characterised it of old; but it must first stem its personnel losses.

#### Unigate

Given the increased costs caused by the UK milk supply industry's deregu-lation, it was almost inevitable Unigate would push overseas. Buying two French dairy companies is no great leap forward, as chairman Ross Buckland would admit given his continental expertise from running Kellogg's European business. But this is likely to be only the first of several moves across the Channel

Yesterday's share price rise reflects relief that the move is both cautious and earnings enhancing. Unigate has bought product lines with which it is familiar through St Ivel. The acquisitions may not be in high growth markets, but they offer growing earnings on the back of recent rationalisation programmes. In addition, there could be mutual benefits from product development and new export markets.

The main problem is finance. Unigate is not buying significant brand names, but is paying at least £63m for only fam of net assets. Interest cover will remain at more than six times, but gearing will exceed 60 per cent. The company is also expected to announce more than £30m of restructuring costs in response to UK deregolation. This will leave it weakened if it wants to make further purchases either on the continent or perhaps from Dairy Crest in the UK.

There is, however, an easy answer. The disposal of its stake in Nutricia of the Netherlands would provide more than £200m. Given a minimal book value, this would substantially rebuild Unigate's balance sheet and allow it

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY **DECEMBER 1994** 

#### ASCOT HOLDINGS PLC

Issue of £15 million Unlisted Secured Loan Stock with Warrants

> The issue was subscribed by Electra Investment Trust PLC

and arranged by Electra Kingsway Limited



ELECTRA KINGSWAY LIMITED 65 KINGSWAY, LONDON WC2B 6QT TELEPHONE: 071 831 6464 FAX: 071 404 5388 A MEMBER OF IMRO

#### **Europe today**

Western Europe will be mild and rainy but it will still be wintry in the east. Another surge of mild air with temperatures between 8C-12C will reach Ireland in the morning and spread into Britain and France. Cool and unstable air behind a cold front will flow into the Low Countries and Germany producing showers mixed with sunny periods. Freezing rain or snow will cause slippery roads in Poland, the Czech Republic, Slovakia and near the Alos before milder air with rain arrives from the west. Heavy snow will occur along the north slopes of the Alps above 1,200 metres. Eastern Europe will remain wintry with snow flurries and temperatures

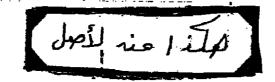
#### Five-day forecast

Snow will continue in the Alps with fresh falls totalling 50-100 cm. After two bleak days, with numerous wintry showers in the northwest, the flow will shift from north-west to west and milder air will arrive. England will be fair for the next two days, but will become unsettled again from Friday. Portugal and Spain will be fair while the south-east Mediterranean will remain gusty and very

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We can't change the weather. But we can always take you where you want to go. Lufthansa

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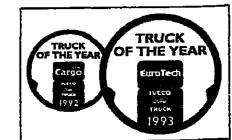




**FINANCIAL TIMES** 

**COMPANIES & MARKETS** 

THE FINANCIAL TIMES LIMITED 1995



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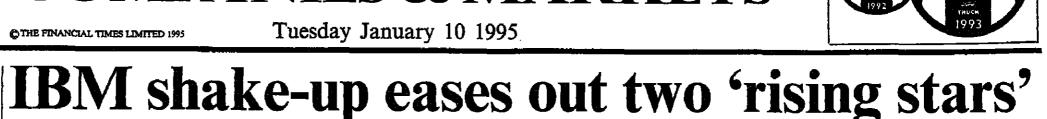
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Tuesday January 10 1995



#### IN BRIEF

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group, has agreed to the products, the Us business from American Home Products, the Us business from American H

Charts in a relationship to a second as possible to buy Pyramid

All is not had Algorithms by Siemens in talks to buy Pyramid

Siemens, the German electronics company, is in talks to buy Pyramid Technology, a Californian talks to buy Pyramid Technology, a Californian manufacturer of computer servers, in a cash deal worth \$207m, or \$15 a share. Page 20

instance in the form the worth \$207m, or \$15 a snare worth

Recently privatised Italian companies will be Recently privatised Italian companies will be also. It was more to strengthen minority sha ballon, R was sinked there assemblies, in a move to strengthen minority share-

had forward to chairms by Schimmelbusch and bank clash One of Germany's biggest corporate debacles amortise from any had accounted into a verbal battle as Deutsche Bank erupted into a verbal battle as Deutsche Bank defended one of its executives against an attack from Mr Heinz Schimmelbusch, former head of Metallgesellschaft, the German metals group which Testandar's this Fire he nearly collapsed a year ago. Page 18

which that the more solds BK Vision files challenge to UBS plan BK Vision, the largest shareholder in Union Bank BK Vision, the largest shared that lenge in Zuring that through Si held see in Switzerland, has filed its legal challenge in Zurich's commercial court against the bank's plan to willy the heart had been unify its share structure. Page 18

Profits of gold mines in GFSA group fall The gold mines in the Gold Fields of South Africa group have recorded a drop in after-tax profit for the quarter ended December, to R391.8m (\$110m) from R447.9m. Page 21

India's biggest share offering postponed The state-owned Industrial Development Bank of Like of return and India (IDBI) said it had decided to postpone its planned Rs21.84bn (\$696.3m) public equity offering.

Unigate buys two French dairles
Unigate, the UK foods and distribution group, has to Rank with the purchase of two French makers of desserts of the continue and spreads for £65.1m (\$101.5m) Page 18

5	Combanies in	THE SE		
3.	ABN Amro	3	M&G	
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#### By Louise Kehoe in San Francisco

Mr Lou Gerstner, chairman and chief executive of International Business Machines, yesterday announced broad organisational changes and a shake-up in the top management ranks, including the resignation of two of the computer company's best-known executives.

Mr Bob LaBant, 50, senior vice-president in charge of IBM's North American operations, and Mrs Ellen Hancock, 51, senior vice-president in charge of the company's \$11bn Networking Division have both retired, the company said.

Both were offered new jobs within IBM been regarded as "rising stars", apparbut declined to accept the positions. which would have been seen as demotions, IBM insiders said.

Mr LaBant and Mrs Hancock were both members of IBM's corporate execu-tive committee, established by Mr Ger-stner when he joined IBM 18 months Mr LaBant had been put in charge "re-engineering" IBM's worldwide sales operations, while Mrs Hancock was in charge of a company-wide effort to streamline software development and boost software sales. But the two executives, who had long

ently failed to find favour with Mr Gerstner. Both have been replaced as part of his latest move to boost IBM's competi-

Mr Gerstner announced the formation of a new IBM software group, which will take on responsibility for development and marketing of a large portion of IBM's software products including database software, networking software and OS/2, IBM's personal computer operating system software. Previously, these software products were managed by sepa-

The new unified software group will sales and distribution. "We will elimienable IBM to co-ordinate its software strategies better and focus software marketing and distribution efforts, Mr Gerstner said. The new group is to be headed by Mr John Thompson, senior vice-president, currently in charge of IBM's personal computers software. Mr Gerstner also abolished IBM's World Trade organisation, which had been responsible for IBM's sales and marketing outside North America. Mr Ned Lautenbach, previously head of World

Trade, gets the new position of senior

vice-president in charge of worldwide

nate the name and much of the formal structure associated with the term World Trade", Mr Gerstner said. "It is obviously confusing and, in fact, incorrect to have a unit called World Trade that excludes North America."

Mr Gerstner also formed a new hardware group that will include many of IBM's leading products including midrange computers, workstations and mainframe computers. This "server" group, will be headed by Mr Nick Donofrio, who was previously in charge of IBM's mainframe computer division.

As Lord Sheppard takes to the streets of Old El Paso, Roderick Oram reviews GrandMet's record

# An expensive Pet may need housetraining

hen Grand Metropoli-tan paid \$5.75bn for Pilisbury six years ago, "some of us thought it qualified for life-long membership of the local insane asylum", a New York analyst recalled yesterday as the UK group launched its second large foray into American

A grand old name in bakery products and the Green Giant vegetable brand with a troubled diversification into the Burger King fast food chain, Pillsbury desperately needed a radical restructuring.

GrandMet spent the next four years knocking it into shape, selling \$1.2bn of commodity and peripheral businesses and overhauling management and manufacturing. Only over the past two years

as the investment paid off, with Pillsbury generating some \$1.1bn of free cashilow. Thanks to the turnround. GrandMet has been able to claim with some credibility that it is a tightly focused global distilled drinks and food GrandMet had since been cast-

ing around for another food acquisition to broaden Pillsbury's volume through its revamped infrastructure. "Pillsbury could never stand still," one London analyst said yesterday. "Once

and some useful add-ons to existing lines such as breakfast

Like Pillsbury, Pet has had a long and at times difficult history. Founded in 1885, it was bought in 1978 by IC Industries, a conglomerate which grew out of the Illinois Central railroad, and floated off in 1991.

Since then it has restructured heavily under Mr Miles Marsh, its chairman and chief executive. "Marsh and his team have done a very good job of getting costs down but they decided the company was too small to succeed on its own," said Mr Les Pugh, Salomon Brothers food analyst. The crunch came last year

when Campbell Soup bought Pace, a competing Mexican foods company, for a high price of more than five times annual sales. The sum reflected the fact that Pace was solely in Mexican food, one of the fastest growing categories in the US. Backed by Campbell's market-

ing, Pace is a formidable adversary. Its aggressive tactics before and after the acquisition were one reason why Pet's operating profits fell from \$227.5m to \$222.6m in the year to last June \$1.58bn, Mr David Nash, chairman of GrandMet's food sector, GrandMet said Pet's attraction

they'd sorted the mess out, they had to become a bigger and broader food company."

lies largely in the Old El Paso in international markets than Pet could on its own.

Analysts largely welcomed the With yesterday's £1.7bn bid for cut some costs and stimulate Pet, a US foods group, GrandMet sales through a switch in market a number of concerns. The big-"are buying their way into some ing tactics. Whereas Pet concengest is whether Pet can maintain relatively ritzy food categories trated on price promotions to its profit margins. Other large



Pillsbury plans promotion by, for example, advertising to consumers to build brand awareness. It also believes it can achieve more

deal on those grounds but raised

Nahisco have jumped on the Mexican bandwagon and others are sure to follow. Moreover, in some markets such as the UK, Mexican food has already moved into supermarket own-label sector. Nor is Pet as chronic a turn-

round candidate as was Pillsbury. Success will lie not in cutting costs but in clever marketing, product range and food business on an organic Page 22

#### Feeling hot! hot! hot! the world's tastebuds warm to salsa sauce

Few people hungry for a taco in easy to prepare and open to Mexico will reach for an Old El Paso "kit" of taco shells, sauce and seasonings. Convenience comes expensive and, like Chinese and Indian cuisine before it, Mexican food in the hands of gringos is evolving beyond its authentic roots.

Fajitas, the in-dish in recent years, were created in a Houston restaurant. Now sizzling meat rate had risen sevenfold. wrapped in a tortilla has become a staple of Tex-Mex cuisine and the Old El Paso range that GrandMet is offering to buy. Mexican food is an "invented

food category", admits Mr John Speirs, senior vice-president of strategic brand development at GrandMet's Pillsbury food arm. Yet Mexican food has been one of the fastest growing sectors of the US restaurant, fast food and grocery markets over the past 10 years. Europeans, particularly

Swedes and Norwegians, already have a taste for it and GrandMet plans to push it further. "It is an alternative way to eat everyday food like chicken and hamburger and it's fun - you eat with your hands and, like Chise meals, it is very sociable. It's hard to eat an enchilada on your own," he says.

ability to fight some of the big-gest US foods groups. Some analysts are not yet convinced GrandMet has shown its a weightier US food company skills in those areas. It has, for example, spent a lot of money establishing Haagen-Dazs ice cream in Europe.

"The jury is still out on whether GrandMet can run a

This announcement appears as a matter of record only

experiments. "At home in the frozen tundra of Minneapolis, we use salsa sauce with all kinds of foods like baked potatoes, broiled fish and stews

Salsa sales are a quick way to track Mexican food in the US. Five years ago, less than 2 per cent of US households used salsa once a fortnight, by last year the

Salsa now outsells tomato ketchup in the US. GrandMet executives salivate at the pros-pect of getting a bottle of salsa sauce on to every restaurant table across the US. Grocery sales of Mexican food grew 11 per cent a year between 1989-94 and totalled \$1.1bn last year.

While US consumption of Mexican groceries is now \$7.46 (£4.78) per head per year and set for further growth, opportunities lie in Europe, GrandMet says. Norwegian and Swedish con-sumption (at \$2.94 and \$2.22) is already ahead of Canada (\$2) while the UK (68 cents) and the Netherlands (26 cents) are catching up. "But the French and Belgians (8 cents and 6 cents per head) are another question, says Mr Speirs. "They argue among themselves about Moreover, Mexican dishes are pommes frites."

> Its achievements so far have come mostly from restructuring.

Moreover, Pet makes Pillsbury while barely contributing to a tougher ambition; achieving critical mass in Europe to qualify GrandMet fully as a global foods

Lex, Page 16; Capital markets.

# Viag and BT set to unveil German telecoms alliance

British Telecommunications, the UK's dominant telecoms opera-tor, is expected to announce today a strategic alliance with a Munich-based utilities group which will strengthen its position in the German market. It will also serve as a warning to its rivals, notably AT&T of the US, Deutsche Telekom and France Telecom that it intends to be a

force in mainland Europe. Its partner is expected to be Viag, an industrial conglomerate with particular strengths in the energy business. Neither company was prepared to comment yesterday on the deal or its implications, but both have scheduled press conferences for the same

ents. Viag already owns a netwhich it took over last year. Bayernwerk has a 4,000km glass fibre network over which corporate data services could be offered.

coms regulations.

The partnership with Viag is seen as a dash for pole position ahead of German deregulation. The European Commission has set 1998 as the formal date after which monopolies must be

force deregulation to coincide with the privatisation of Deutsche Telekom now set for 1996.

The alliance would mark work through Bayernwerk, Germany's third largest utility, German telecommunications German telecommunications market where RWE and PreussenElektra, the two largest utilities, are already jockeying for position. Telecommunications remains a relatively small part of Viag's activities which, apart from Bayernwerk, include chemi-

IBM and Allianz, the Munich-based insurer, to bid for one of only two data transmission licences in Germany. They lost to GfD, a consortium led by RWE, which is building a corporate network with Deutsche Bank and Mannesmann, the engineering unscrambled, but analysts group which runs the D2 mobile believe market pressures might phone network.

#### panies plan to build a network to offer, in the first instance, data By Alan Cane in London and Michael Lindemann in Bonn services to large corporate cli-

time this morning. Analysts believe the two com-

BT is already present in the German market in a small way through a subsidiary offering data services and intra-company communications, the most it can offer under existing German tele-

cals, packaging and trading.
Viag teamed up last year with

# \$1.88bn bank bid in Portugal

By Peter Wise in Lisbon

for Banco Português do Atlantico, Portugal's second-largest bank, offering Es300.3bn (\$1.88bn) for 100 per cent four months after its offer of Es132bn for 40 per cent was vetoed by the

BCP has joined with Império, Portugal's top insurance com-pany to offer Es2,730 a share compared with Es3,000 last year. BCP's bid aims to take advan-

tage of the government's expec- for high stakes. Mr Champalited approval of an agreement by Banco Español de Crédito, the Spanish bank, to sell its 50 per cent holding in Banco Totta e Acores, Portugal's third-ranked

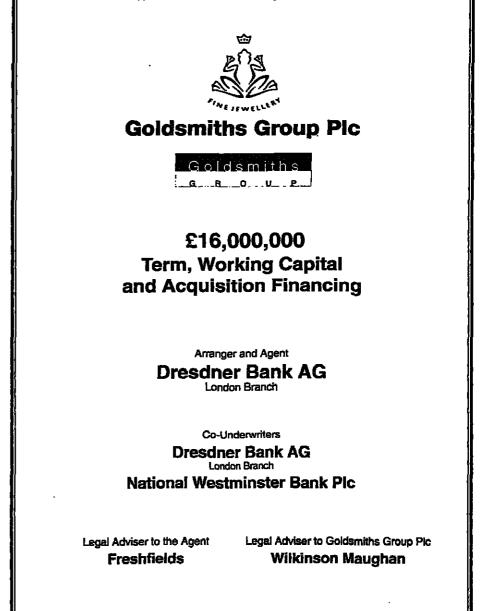
largest bank, comes amid signs of Banco Comercial Portuguès discord among the controlling yesterday launched a second bid core of BPA shareholders, 13 Porcore of BPA shareholders, 13 Portuguese industrialists who own 29 per cent. They resisted the first bid but two members said yesterday they were now prepared to sell. But Sonae, the conglomerate which holds 7 per cent, said it would maintain its holding pending further consideration. The government owns 24 per cent of BPA, which has been

privatised in stages since 1989. Portuguese banks are playing maud's acquisition of BTA would 17.6 per cent, according to 1993 figures. Portugal's biggest bank-

The offensive by BCP, the fifth- ket share of 24.5 per cent. However, BCP control of BPA would create a group with assets of Es5,352.5bn and a market share of 23.3 per cent. The government rejected BCP's earlier bid partly because it said the size of the group would destabilise the financial system.

But bankers said the government favours approving Mr Champalimaud's purchase of BTA as this would remove the embarrassment of a Spanish bank owning more than the 25 per cent limit stipulated for foreign ownership of BTA.

give him control of total assets of Es4,046bn and a market share of bid. The government also blocked BCP's earlier bid because it aimed for control of BPA by purhank, to Mr António Champali- ing group is state-owned Caixa chasing only 40 per cent. BCP is maud, a Portuguese industrialist. Geral de Depósitos, with a mar- now bidding for 100 per cent.



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# Schimmelbusch clashes with Deutsche Bank

By Andrew Fisher in Frankfurt

One of Germany's biggest corporate debacles yesterday erupted into a verbal battle as Deutsche Bank defended one of its executives against an attack from Mr Heinz Schimmelbusch, former head of Metallgesellschaft, the German metals group which nearly collansed a year ago after heavy US oil futures trading losses.

It described as "grotesque" a claim by Mr Schimmelbusch, sacked as Metallgesellschaft's chief executive in December 1993, that Mr Ronaldo Schmitz a director of the bank, had brought about huge losses at the company (by unwinding the oil deals) to remove its management and take credit

The bank also said Mr Schimmelbusch's allegations. made in an interview with Der Spiegel magazine, showed what sort of person he was. It said he had not taken account of the reality of the situation. In a country where corporate

battles and boardroom disputes occur behind closed doors, this open war of words is highly unusual. Deutsche Bank, however, said the claim against Mr Schmitz, who heads Metallgesellschaft's supervisory board, was so serious it had to

"The fact is that Metallgesellschaft could only be rescued from collapse by considerable financial help from the creditor banks," Deutsche bank said. It headed the rescue operation, which provided DM3.4bn (\$2.2bn) last January to avert collapse.

Schimmelbusch's onslaught came shortly before Metallgesellschaft, now headed by Mr Kajo Neukirchen, is due to hold talks with 40 creditor banks about putting up more

investors win postal vote right money to keep the much shrunken company alive. Some German and foreign banks are uneasy about Mr Neukirchen's

Italian

By Andrew Hill in Milan

Recently privatised Italian introduce postal voting at shareholder assemblies, in a move to strengthen minority shareholders' rights.

However, there are concerns that the benefits for small investors could be undermined by a clause allowing a majority of shareholders to club together to oppose postal vot-

The rules – drawn up by the Bank of Italy, Consob, the stock exchange watchdog, and Isvap, the insurance supervicome into effect before the end of the month, but will then have to be voted into the companies' statutes.

At the moment, the rules will be compulsory only for companies which have been the subject of public privatisation offers: Ina, the insurance company, and a trio of banks - Credito Italiano, Banca Commerciale Italiana, and Imi. Postal voting is already allowed for assemblies of cooperative companies and certain mutual funds.

Small shareholders hope postal voting will eventually be extended to all quoted companies, and expanded to allow a full British or US-style system of proxy voting at important meetings. That hope could be dashed, according to some legal experts, if large shareholders exercise their right to outlaw postal voting with a simple majority vote at a

shareholder assembly. The Italian government's privatisation programme – in particular, the public offer of shares in some of Italy's largest companies - has attracted criticism from small shareholders over the last year. They claim there is still a notable lack of shareholder democracy, and that assemblies are easily manipulated by groups of large investors.

In the cases of Credito Italiano and Banca Commerciale Italiana, critics allege that the hanks are still firmly under the influence of corporate shareholders allied to Mediobanca, the Milan-based mer-

# Cold logic wins out at Warburg Withdrawal from eurobonds follows big losses, writes John Gapper the bank's founder Sir Siegmund Warburg created 30

years ago, is not a decision

taken lightly by Lord Cairns, the bank's chief executive. In spite of its loss-making position, he admits the significance of ditching "the legacy of the It is a big legacy, even for a business which was on track to lose about £40m (\$63m) this

year. The eurobond market which with global bonds was worth about £400bn last year was launched by Sir Siegmund with a \$15m loan for Autostrade Italiane, which built roads in Italy, on July I 1963. Warburg did not maintain a strong position in the market.

losing dominance to US firms as well as some other European banks such as Swiss Bank Corporation. Yet the operation had profound sentimental value, as Warburg's sole securities operation before integration in the mid-1980s.

However, Warburg's decision was based on cold commercial logic, expressed picturesquely by Lord Cairns. "We had reached the point where we had a pretty good shoe shop, but we were only selling shoelaces. They might have been very good, but they did not pay for the heat and the light," he

Warburg's problem was that the eurobond market - origi-

arburg's decision to nally known as the eurodollar mann. It put this on hold durdemand international distributo avoid interest equalisation tax in the US - remains dominated by dollar issues. Some 60 per cent of issues are sold to US investors, with sterling

> This meant that Warburg operated at a disadvantage, one which it attempted to address by building up primary issuance of other European currency bonds. It hoped to justify the cost of its secondary distribution network in Europe by broadening the range of European bonds that it could

accounting for 5 per cent.

sell. As long as bond markets were healthy because of the gradual fall in yields, the bond strategy could be justified. But it ran into difficulties with the rout in European bond markets last year. It lost £7m in the first six months of the financial year, before costs of about £12.5m.

During the Big Bang de-regulation of the City of London in 1986, it tried to create a fixed interest division by combining its eurobond arm with its new purchase, Mullens, a gilt-edged market-maker, and parts of Akroyd & Smithers, a jobber. Executives argue that the merger was unsuccessful. Warburg responded by

launching a review some six months ago under the former joint heads of its fixed interest and treasury division, Mr Peter Bass and Mr Peter TwachtStanley, but re-activated it when the talks collapsed.

The Morgan Stanley merger might have solved the problem because of the US firm's strength in dollar eurobonds. Although Warburg would probably have reduced its activities, it would have had a broader range of bonds to sell through the distribution side of its European operation.

Without the merger, matters were stark. Mr David Burnett, the new head of the division, confirmed the view of other Warburg executives that radical action was required. Although a shake-up was expected, the size of the job cuts and closure of activities will be a shock to many employees.

arburg will stop its debt market-making in Belgian francs, Danish kroner, Dutch guilders. French francs, German marks, Italian Ilre, Japanese yen, Spanish pesetas and Swedish kronor, shedding 180 people at an estimated cost of about £5m, and releasing about

£125m of group capital.

This will leave it with a small trading operation in US government bonds, and a market-making operation in UK government bonds. It will issue sterling bonds for UK companies, selling them to UK

other banks. Lord Cairns says the carobond market has gradually become commoditised since its foundation, offering only thin margins and needing large volume. Yet Warburg came 21st among bookrunners of public euro and global bonds in 1994. with a 1.35 per cent share, according to Euromoney Bond-

He argues that the curobond market will be increasingly worthwhile only to US investment banks such as Goldman Sachs and Merrill Lynch, which have substantial access to US investors, or for commercial banks with balance sheets which hold European bonds as part of treasury operations. Lord Calrns insists that War-

burg can logically continue its strategy of building a global investment bank, even if it must now confine itself to corporate finance, equity and related derivatives. "I do not think we ever said we wanted to compete with everybody in all areas," he says.

The bank argues that, in spite of the fact that its securities roots lie in eurobopds, London's position as an international equities centre makes it easier to compete there. However, it faces a substantial task to persuade outsiders that its strategy remains intact, in a piece of its history.

#### **BK Vision** challenges **UBS** plan

By lan Rodger in Zurich

BK Vision, the largest shareholder in Union Bank of Switzerland, has filed its legal challenge in Zurich's commercial court against the bank's plan to unify its share structure.

The plan, narrowly approved at a shareholders' meeting last November, would force conversion of registered shares into bearer shares without compensation for their premium vot-

ing power.
Mr Konrad Fischer, BK's lawyer, claimed it was invalid of UBS to change its share structure merely to reduce the voting power of a single large dissident shareholder.

It was also illegal not to have allowed the registered shareholders to vote separately on

the proposal. The court is expected to give UBS at least two months to respond to the complaints. Meanwhile, it will probably decide within a month whether to extend an injunction that prevents the bank from proceeding with the plan.

# Unigate buys two French dairy groups

By Roderick Oram. Consumer Industries Editor

Unigate, the UK foods and distribution group, has entered the continental European dairy market with the purchase of two French makers of desserts and spreads for £65.1m (\$101.5m).

The companies, Vedial and Prodipal, will help Unigate develop new markets and from France and

Other continental acquisitions will follow in the medium term, said Mr John Worby, Unigate's finance director. The French companies have

similar technology and prod-ucts to Unigate's St Ivel brand and some co-operative ventures are likely. Some St Ivel chocolate desserts and mousses, for example, could be exported to France. Some "value line" yoghurts which are flavoured but lack fruit content could be imported into

The purchases will push up Unigate's gearing from more than 30 per cent to about 60

per cent, but the deals will be

plan for a capital write-down

and subsequent injection of a

further DM600m. These will be

put to the annual meeting on

Mr Schimmelbusch's allega-

tions centred on the controver-

sial oil futures dealings which

led to Metaligeselischaft's near-

collapse. He claimed there was

no need to unwind the US con-

tracts, an argument supported

by some US academics. Mr Schmitz and the present Metallgesellschaft manage-

ment say there was no alterna-

tive if the company was to

In a previous interview with

Der Spiegel, Mr Schmitz said

he had been misled by Mr

Schimmelbusch as to the com-

pany's position. Mr Schimmel-

March 23.

1996, Mr Worby said. Combined pre-tax profits for the companies were £6.4m in the year ended December 1993. A further £3.6m may be payable to the vendors. lepending on the performance

earnings enhancing in the

financial year ending March,

of the companies. Vedial, jointly owned by Eridania Béghin-Say and Sodiaal, makes low-fat spreads under the St Hubert 41 and Le Fleurier brands. Its 1993 sales were FFr497m (£59.9m). The purchase is conditional on approval from regulatory and

employee organisations. The purchase of Prodipal was completed last week. It comprises two companies. Société Nouvelle d'Exploitation de la Laitière de Longueville (Snell) and Société Laitière de la Vallée de L'Ourcq (SLVO) owned by the same family. SLVO makes yoghurts and

desserts outside Parls and Snell makes rice desserts in Normandy. Most of Prodipal's FFr460m sales are in France.

# Turkey resumes sell-off plan

By John Barham in Ankara

Turkey is resuming its long-delayed privatisation efforts, with the government's announcement vesterday that it will sell majority stakes in two small state companies.

The government's Privatisation Administration yesterday called for bids for majority shares in Havas, its airport services company, and Sümerbank, a small commercial bank. It is offering 60 per cent of both companies to strategic investors. The remaining 40 per cent will be seld to retail investors in stock market flotations in March.

The government has

appointed Global Securities, an Istanbul investment bank, to advise on the sale of Havaş. It has not retained an adviser for the Sümerbank sale.

Previous attempts at privatisation have failed in the face of determined opposition in parliament. Havaş and Sümerbank have been listed for privatisation before, only to have their sales abruptly cancelled.

Large state companies, most of which are also big loss-makers, are not scheduled for privatisation yet, due to continuing political and legal challenges. These include steel companies, banks, chemical plants and electricity and telephone utilities.

Prime Minister Tansu Ciller attempted to short-circuit opposition with a decree allowing privatisation without prior parliamentary approval. This was rejected by Turkey's constitutional court. Parliament finally approved a framework privatisation law late last year.

Analysts warn that progress is likely to remain slow, given the strength of opposition to privatisation and the weakness of Mrs Ciller's coalition govern-

The government is attempting to defuse trade union opposition by turning the largest loss-makers over to workers' co-operatives.

#### Havas studies Hersant titles

Havas, the French media and leisure group, is interested in buying a number of titles from Hersant, the country's biggest newspaper publisher, writes Andrew Jack in Paris.

Mr Pierre Dauzier, chairman of Havas, said yesterday he was considering acquiring a series of papers in the Rhône-Alps region if they came up for

sale.
"If tomorrow Hersant planned the sale of Progrès, Dauphine Libere, Courrier de Saône et Loire and Bien Public. we would be candidates to become complete operator and proprietor," he said in an interview in La Tribune.

#### FINANCIAL HIGHLIGHTS ARAB-MALAYSIAN FINANCE BERHAD (A member of the Arab-Malaysian Banking Group)

Half-Year Ended 30th September, 1994 **Audited Results** 

	1994 In Million RM	1993 In Million RM	% Change
Profit Before Taxation	85.1	53.4	+ 59.4
Profit After Taxation	53.0	37.5	+ 41.3
Shareholders' Funds	412.2	332.3	+ 24.0
Loans & Advances, Net of Provisions	6,188.0	4,574.5	+ 35.3
Deposits and Borrowings	8,115.9	5,908.0	+ 37.4
Total Assets	8,855.1	6,397.3	+ 38.4

- · With the country's sustained economic growth, the Company continued to register a strong and broad-based growth in its lending activities which contributed to further improvements in the results of the Company for the half-year ended 30th September, 1994.
- The recent completion of the rights issue will allow the Company to capitalise on the continuing growth in loan demand and the Company expects to further improve on its results for the second half.

TAN SRI DATO' AZMAN HASHIM

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#### BANKRUPTCY SALE: January 17, 1995 MAJOR COKE PLANT

In the United States Bankruptcy Court For the Western District of Pennsylvania, Erie Division (U.S.A.) SALE OF SUBSTANTIAL ASSETS INCLUDING: CERTAIN COKE OVENS, RELATED MACHINERY AND EQUIPMENT, AND OTHER REAL AND PERSONAL PROPERTY OF MONESSEN, INC.

Bids Must Exceed \$5,000,000 (U.S.) Further information concerning the Coke Plant, the time and location of the proposed sale and the procedure for submitting bids can be obtained from: eanette L. Cotting, Esq., Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, NY 10004, (212) 820-8072 or Joseph Santariasci, Whitby, Santariasci & Co., 8 W. 38th Street, New York, NY 10018 (212) 719-5211

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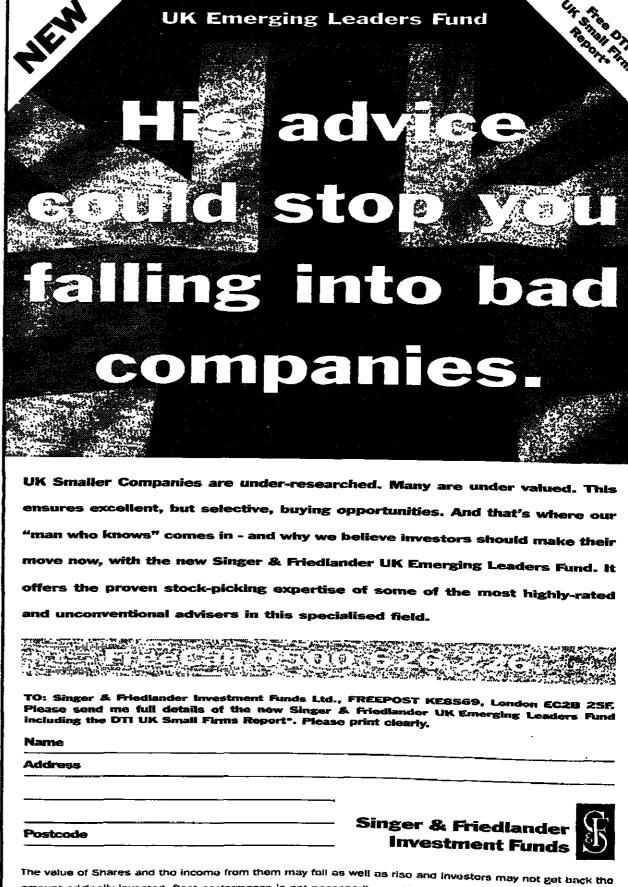
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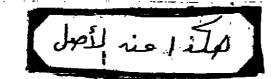
000.000.0012 Floating rate notes 1998 Notice is hereby given that for

6 January 1995 to 6 April 1995 the notes will carry an interest rate of 6.86.25% per unnu Interest payable on 6 April 1995 will amount to \$169.21 per \$10,000 note and \$1,692 12 per \$100,000 note.

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Name Address Postcode Agent: Morgan Guaranty amount originally invested. Past performance is not necessarily a guide to the future. \*Whilst stocks last. red by Singer & Friedlander investment Funds Ltd, 21 New Street, London EC2M 4HR. Member of IMRO.





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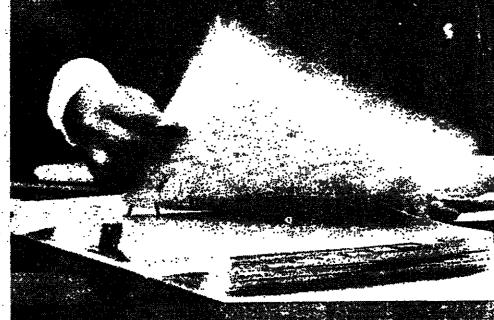




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#### INTERNATIONAL COMPANIES AND FINANCE

# Ontario Hydro's foreign forays on hold

Plans to bolster offshore investment arm depend on regulators, writes Bernard Simon

America's biggest power utility, thought it had a brilliant idea in early 1993. As part of a top-to-toe shake-up, it decided to follow utilities in other industrial countries by setting up an offshore investment arm.

Ontario Hydro International (OHI), formed in August 1993, would use Hydro's expertise and financial clout to gain a toe-hold in the fast-growing economies of Asia and Latin America. It has since spent about C\$100m (US\$71m) on two equity investments:

a one-third stake in Asia Power Group, a joint venture with Hydro-Quebec and Power Corporation, the Montrealbased conglomerate, which will seek electricity opportunities in Asia, especially China; and • a 60 per cent stake, in partnership with Chilquinta, a Chilean power utility, in Edelsur, a power distributor serving suburbs of Lima, Peru.

Hydro remains confident that it is on the right track. It enloys the support of domestic power equipment manufacturers, the investment community

and consultants. However, Ontario's social democrat government, which owns the utility, has subjected Hydro's international arm to a degree of public scrutiny experienced by few of its counterparts else-

The Ontario Energy Board, a regulatory agency, was instructed last September to hold public hearings on OHL The board must report, among other things, on "the balance between the positive benefits that can be generated from OHI's investment activities...the risks associated with such activities, and the methods by which such risks to the ratepayers may be min-

"We're not saying they shouldn't do it," says Mr Arthur Dickinson, executive director of the Association of Major Power Consumers, representing big resource and industrial companies which buy about half of Ontario Hydro's output. "It's how you finance that activity that's the key. They shouldn't expose ratepayers to the risk of that

The association contends that the domestic economy would be better served if Hydro used its C\$200m contri-bution towards OHI's capital to bring down domestic power rates. Steep rate increases in the late 1980s and early 1990s are often blamed for blumting the competitiveness of Ontariobased companies, such as Inco and Falconbridge, the western world's biggest nickel produc-ers, and Dofasco and Stelco, both steelmakers. Mr Dickin-

son estimates that his mem-

bers' electricity tariffs could be cut by about 2.5 per cent if Hydro passed on the C\$200m to

nvironmental groups also criticised OHL Ms Patricia Adams, president of Energy Probe Research Foundation, testified that "by proposing to accept ... the sovereign right of each nation to develop its resources, OHI is saying it will adopt the standards of the host governments, many of which have low standards or no regulatory and legal environment to enforce

executive, insists that support for the international investment drive outweighs the opposition, and that fears of the risks are exaggerated.

"We've never been on a shopping spree," he says. "My objective is to look for good

Mr London notes that OHI's initial capital of C\$200m is a fraction of Hydro's C\$40bn in assets. International investments could also serve as a useful benchmark to measure - and improve - Hydro's per-formance in its home market, where it enjoys a monopoly.

Although OHI aims to bolster its investment fund to C\$500m over the next three to five years, the extra C\$300m would come from the private sector. But Mr London says that "before one raises money, one has to demonstrate some sort of success". Mr David Suratgar, a direc-

tor with Morgan Grenfell, the UK merchant bank, told the OEB hearing that "it has never been a more propitious time for foreign, direct and debt investment in privately-owned

Mr Ian London, OHI's chief utilities . . . Returns today are at levels designed to reflect the extra risks of foreign invest-

> OHI is relying on Hydro's reputation as a skilled, reliable operator of one of the world's most complex power networks to open doors in Asia and Letin America. In its former incarnation as Hydro's new business ventures division, OHI carried out consultancy work in about 36 countries. mostly in the Third World.

> owever, the search for new investment oppornew investment oppor-tunities is on hold pending the outcome of the energy board hearings, expected by the end of February. Mr London says the first priority after that is to set up the new investment fund.

It would come as a surprise the board suggested that Ontario Hydro retreat alto-gether from its offshore forays. The question is whether Hydro, OHI and the provincial government can agree on and live with whatever conditions and constraints the board may

#### **NEWS DIGEST**

#### Finnair to offer 12m new shares to investors

Finland's privatisation programme stepped up a gear yesterday when the board of Finnair, the national airline, decided to offer up to 12m new shares to domestic and international investors, writes Christopher Brown-Humes in

Stockholm. A further 2m shares in the airline are to be sold by Neste, the Finnish oil and petrochemi-cals group which is also planning a partial privatisation this year.

The state will not subscribe to the Finnair offer, although it intends to retain its majority ownership. Its holding could fall to 60.7 per cent from 71.5 per cent.

Proceeds from the issue, estimated at about FM500m (\$105m), will be used to strengthen Finnair's balance sheet and help fund a FM1.7bn investment programme for new aircraft. Pricing will be fixed around January 20. The airline's financial performance has improved strongly in the current fiscal year ending March 31, and it expects to pay an increased dividend, compared with last year's

#### Namibia may use Australian technology

FM0.30 per share pay-out.

Ausmelt, the listed Australian industrial services group which was formed to market cer-tain advanced pyrometallurgical techniques, said yesterday that it was talking to Namibianbased Tsumeb Corporation about the possible use of Ausmelt technology, writes Nikki Tatt in Sydney. It said that Tsumeb, a subsidiary of Gold Fields of South Africa, was considering installing the technology at its lead smelter in mid-1995. Ausmelt added that negotiations were at a "late stage", but said that no contracts had yet been signed.

#### Taiwan to open OTC market to foreigners

Taiwan's newly-relaunched over-the-counter stock exchange will be open to foreigners once a computerised trading system, installed two weeks ago, is programmed to track foreign funds, writes Laura Tyson in Taipei. Foreign brokers in Taipei expect to be

allowed to buy shares in the 14 companies now listed on the six-year-old exchange in February The government is hoping to develop the

lacklustre exchange and is encouraging smaller companies and new banks to apply for listing before attempting to list on the Taiwan Stock Exchange. Some 50 to 75 new listings are expected this year. Liquidity on the exchange has historically

been negligible, with just a few of the stocks listed changing hands in the average trading session. The new computerised system has not

attracted investors because, unlike the main exchange, the OTC exchange operates on a full delivery basis and margin trading is not allowed, brokers say.
But the listing of Taiwan's 16 new privately-

owned banks should spark both institutional and retail buying interest, as they are growing rapidly and the banks listed on the main exchange trade at a relatively high price carnings ratio of 45 to 50. The new banks will be offered at around 30 times earnings, one bro-

#### Sidbec-Dosco to expand steel capacity by 40%

Sidbec-Dosco, the Quebec-based steelmaker now owned by Ispat of Indonesia, is raising annual steel capacity by 40 per cent to 1.8m. tonnes this spring by restarting its second direct reduced iron unit, writes Robert Gibbens in Montreal.

The programme, together with improvements to finishing operations, will cost about C\$30m. Excess pre-reduced iron will be sold to Ispat steelmaking units in Trinidad and Mexico and on the open market.

The fast-growing ispat now has annual sales of US\$1.5bn and recently bought an 800,000 tonnes yearly rod mill in Germany. It also has several plants in India.

Ispat bought Sidbec-Dosco last summer for C\$240m (US\$171.2m) in cash, new equity and a loan repayment. The seller was the Quebec government. It is now profitable with steel prices running 15-20 per cent above early 1994

and with operations at full capacity. Mr Lakshmi Mittal, vice-chairman, has said Ispat will invest C\$100m in the Canadian company including improvements to the hot mill, and will take the company public later.

#### **Expansion at German** mobile phone network

E-Plus, the smallest of Germany's three mobile phone networks, signed up just over 30,000 clients by the end of last year, the company said yesterday, writes Michael Lindemann in Bonn. By the end of this year it hopes to have around 200,000 clients.

The company, in which the German conglomerates Veba and Thyssen each have a 28.4 per cent stake, was launched last May covering mainly eastern Germany. In October it extended its network to the Ruhr region and other heavily populated areas of western Ger-

D1 and D2, the mobile phone networks run espectively by Deutsche Telekom and the engineering group Mannesmann, had around 850,000 clients each by the end of last year. Around 1,600 of the 5,500 transmission stations which E-Plus plans are so far operational, and by the end of 1996 the company hopes to be able to offer a nationwide service. The E net has a higher capacity than the D-nets and is also able to operate on smaller and lighter mobile phones which use less battery

# Shareholders set to unveil | Siemens in talks United restructuring plans

By Bernard Simon in Toronto

Shareholders of Toronto-based Unitel Communications are due to unveil plans today to restructure the ailing telecommunications company, which has failed to capitalise on its pioneering role in bringing competition to Canada's long-distance telephone mar-

Unitel is 48 per cent owned by Canadian Pacific, the transport and energy conglomerate, and 29.5 per cent by Rogers Communications, Canada's big-

gest cable-TV operator.
AT&T, the US long-distance company, holds the remaining 22.5 per cent. It acquired the bulk of its stake when Unitel gained regulatory permission in 1992 to break the provincial phone companies' monopoly on long-distance calls.

AT&T has since parachuted

Unitel's senior management.

The shareholders declined yesterday to give details of the restructuring. One said that negotiations, which also involve Unitel's banks, were in a state of flux and that an announcement may be delayed until later in the week. Local reports suggest, however, that Canadian Pacific will reduce its stake, and that all three shareholders will write down

the value of their investment. Unitel posted losses totalling C\$309m (US\$220.7m) in 1992 and 1993, and racked up a further C\$184m loss in the first Its most notable break-

nine months of last year. through in the past three years has been the introduction of a high-volume, high-speed data transfer service for business users. It is understood to have

a bigger market share than the

This announcement appears us a matter of record only.

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several of its executives into consortium of provincial tele phone companies. However. this success has been overshadowed by its inability to build market share in long-distance voice services.

According to Mr Dave Neil, a director of Transition Group, a Toronto-based consultancy. "the original view of how suc cessful Unitel would be was wildly optimistic". Unitel's problems are rooted

in its earlier history as the

dowdy telecommunications

arm of Canada's two big railway companies, Canadian Pacific and Canadian National. Its corporate culture has been slow to change, and relations between the three shareholders have been tense. Mr Neil said that Unitel has "spent an awful lot of time whining about regulations" instead of attacking the rivals in the marketplace.

# to buy Pyramid

By Tony Jackson in New York

Siemens, the German electronics company, is in talks to buy Pyramid Technology, a Californian manufacturer of computer servers, in a cash deal worth \$207m, or \$15 a

share. Pyramid said it had not agreed the terms, and warned that a deal was not guaranteed. The US group said that last Friday Siemens had asked permission to make an offer, as required under an existing agreement. Pyramid said it had granted permission "solely for the purpose of allowing the parties to engage in discussions concerning a negotiated

In July last year Siemens acquired 12.3 per cent of Pyramid at \$8.625 a share, bringing its stake to 17.6 per cent and making it the largest shareholder. It also acquired the right to raise its stake to 24 per cent at \$10 a share. At the same time Siemens Nixdorf. Siemens' computing subsidiary, licensed Pyramid's Unix system for massively parallel processing.

Pyramid, which had sales

last year of \$218m, makes highperformance servers for open computing systems, at the middle and top end of the market. Its financial performance has been uneven: it made a loss of 8 cents per share in its final quarter last year compared with a profit of 25 cents the year before. Pyramid's shares rose \$1% to \$14% in early trading yesterday.

Siemens Nixdorf is Europe's biggest computer manufacturer, with annual sales of \$7.3bn and 39,000 employees. Siemens has been active in acquiring US companies, with US sales trebling to over \$5bn



£75,000,000 4<sup>1</sup>A per cent. Convertible Bonds 2002

Notice of Early Redemption

On behalf of the Company, S.G. Warburg & Co. Ltd. hereby gives actual to bolders of the Bonds of the Company's election to redecan the outstanding, smoonweard Bonds on 24 February 1995 of pag, in accordance with Condition 7(b) of the Bonds. the Company's election to redeem the outstanding, smannered Bonds on ry 1995 at par, in accordance with Condition 7(b) of the Bonds. tily on 24 February 1995 there will become due and payable upon each g, inconverted Bond the principal amount thereof together with accound the said date, at the office of the Principal Paying Agent:



(the "Bonds")

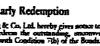
S.G. Warburg & Co. Ltd.
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or at the office of one of the other paying agents named on the Boads.

Accreed interest will be calculated for 2437500 days and will amount to £32,59 per £10,000 nominal Boad and £325,50 per £10,000 nominal Boad and £325,50 per £10,000 nominal Boad fatterest will cause to accrue on the ountrandent, unconserved Boads on 24 February 1995, and these Boads will become void unless presented for payment within a period of 10 years from that date. Mentured Couppors will become word unless presented for payment within a period of free years from the date for payment thereof.

Notwithstanding the foregoing, the holder of any Bond will, at any time up to and including 17 February 1995 have the right to convert the principal amount of such Bond into deferred stock (the "Deferred Stock") of the Company. The asteution of Bondholders is drawn to Condition 5 of the Bo further details regarding conversion.

a) the Conversion Price, as at the date of this nonce, at which Buralholders are entitled to convex their Bonda into fully paid registered Deferred Stock is 698p per £1 noninal of Deferred Stock;

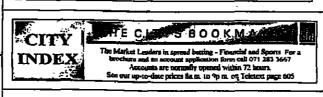


the closing matche market quotation of the Deferred Stock (as shown by The Stock Exchange Duily Official List) on 5 January 1995, being the latert prachiable date prior to the publication of this notice, was 589p. It should be noted that the figure is given for guidance only and may have changed by 24 February 1995.



US\$ 1,000,000,000 Floating Rate Notes due 1999 In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from January 6, 1995 to April 6, 1995 the Notes will carry an Interest Rate of 6 1/6% per

The Coupon Amount payable on the relevant Inter Date, April 6, 1995 will be US\$ 159,38 per US\$ 10,000 principal amount of Note and US\$ 1,593.75 per US\$ 100,000 principal



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Reports of the undermentioned companies for the quarter ended 31st December 1994 were released to the relevant Stock Exchanges yesterday and have been published in the press in South Africa roday:

> Deelkraal Gold Mining Company Limited Doornfontein Gold Mining Company Limited Driefontein Consolidated Limited Gold Fields Coal Limited Kloof Gold Mining Company Limited

Copies of the reports will be posted to all shareholders of the companies, but are also available to the public on collection from Gold Fields Corporate Services Limited, Greencoat House, Francis Street, London SW1 from Monday to Friday each week during normal business hours.

10 January 1995



Guaranteed Step-Up Floating Rate Notes due January 2001

anuary, 1995 to 6th April. 1995 the Notes will carry an interest rate of 7.1% per annum, with an interest amount of U.S. \$88.75 per U.S. \$5,000 Denomination Note and U.S. \$1,775 per U.S. \$100,000 Denomination Note payable on 6th April, 1995. used on the Luxensbourg So et. Exci

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FUNDAMENTAL INFORM The increes payable on 10th Apell, 1995 against Coupon No. 1 will be Can\$17.49 per Can\$1,000 Nore, and Can\$174.93 per Can\$1,000 Nore, and Can\$1749.29 per Can\$100,000 Nore. O YEARS OF FUNDAMENTAL INFORMATIO ON OVER HIDCORN/DOINTS. Similar to the information found in the CRB Commanday Year Book, the 1984s of the futures industry. In addition to interical data, CRB infoTech also provides that information with 5TD Commandation. Bank of Montreal London to Calculation Agent 10th Jacobry, 1995 directly late year detellars. INFORMATION: Bissifer Valid KR House, 78 Fice: Steet, London EC4Y 1HY Tot: +44 (0) 71, 842-4983 To Advertise Your Sovereign (Forex) Ltd. 24hr Foreign Exchange Margin Trading Facility Competitive Prices Daily Fax Service

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September 1994

MITSUI FUDOSAN CO., LTD YEN 30,000,000,000 FLOATING RATE NOTES DUE JULY 1997

Notice is herby given that for the nterest period from 9th January 1995 to 10th July 1995, the rate of interest will be 4.3% per annom. The interest payable on the 10th July 1995 will be Yen 214,411 per each Yes 10,000,000. Note. Agent Bank: The Missel Trest and Busking Co., Ltd

Tel: 071 493 7050 Fax: 071 491 8998

#### INTERNATIONAL COMPANIES AND FINANCE

**Profits of** 

gold mines

ended December, to R391.8m

(\$110m) from R447.9m. The

fall, which was exacerbated by

continued industrial unrest at

some mines, reflected a lower

average gold price received as

well as a decline in overall

gold production, largely due to

Overall, tons milled rose

slightly to 3.35m from 8.32m

but the average yield dropped

to 9.1g/tonne from 9.2g/tonne

bringing overall gold produc-

30,612kg previously.

tion down to 30,196kg from

Working costs rose to

R815.1m from R785.8m while

working profit dropped to

R515.5m from R588.5m, but

net sundry revenue rose to

R54.15m from R34m, mainly

for accounting reasons. Tax

rose slightly to R177.8m from

Mr Alan Munro, executive

director, said that the results

were satisfactory given the

slight decline in the gold price

but hit out at what he called

"unacceptable behaviour" by

individual mines, managing to

keep profit at R158.43m, down

a lower yield.

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The state-owned Industrial Dosco to expan Development Bank of India (IDBI) said yesterday it had decided to postpone its planned Rs21.84bn (\$696.8m) public Char Quetre part stelle equity offering, saying the the special control with a part of familiary to the special sp Indian parliament had yet to ratify the IDBI Act, allowing for restructuring of the bank's

Seri Hall the state of the series of the ser capital. The postponement of india's largest domestic equity offer-Market Temperature With Day ing, due to open on January 27, surprised stockbrokers. Indian newspapers approunced the cancellation of the elaborate week-long road show barely a day before it was scheduled to

> Analysts, saying that there was nothing to prevent IDBI from going ahead with the issue in spite of parliament's failure to ratify the bill during last month's winter session, attributed the postponement to the hank's unwillingness to go public at a time when the market is weak.

> Share prices have been falling due to political uncertainty, and brokers expect the market to remain dull over the next month.

The Indian government yesterday said it was inviting bids for stakes in six profitmaking state-owned enterprises, including 5 per cent each in the Indian Oil Corporation, Videsh Sanchar Nigam Limited, the overseas telecommunications company, and Ges Authority of India, writes Shiraz Sidhva.

The government is also selling 10 per cent each of the India Tourism Development Corporation, which owns and operates hotels and tourism and travel services; Engineers India, a consultancy company: and Kudremukh Iron Ore

This is the third round of disinvestment of public-sector companies undertaken by the government in the current nancial year as part of its liberalisation programme initiated in July 1991.

four other large companies planning issues to raise an estimated Rs150bn from the Indian markets during the next three These companies include two

private-sector companies. Reliance Finance and Capital Trust

in GFSA group fall Stockbrokers said these companies would benefit from the postponement of the IDBI By Mark Suzman ssue, which had been eagerly in Johannesburg awaited and was expected to do well. A recent survey by an The gold mines in the Gold Fields of South Africa group independent market research organisation had shown the have recorded a drop in after-IDBI's issue, which aimed to tax profit for the quarter

scribed. IDBI's decision to postpone the deal is prompting "a collective sigh of relief" among market participants, said Mr Jeff Chowdhry, fund manager at Foreign & Colonial Emerging Markets in London. He said the market has been depressed recently by fears of oversupply in the first quarter. "If some issues are delayed, that's good

reduce the government's hold-

ing to 75 per cent from 100 per

cent, would be fully sub-

for the market." IDBI's planned issue of 168m shares, priced at Rs130 each on a face value of Rs10, is the second to be postponed by the government in the past 12

In May last year, the government postponed a \$1bn euroissue from Videsh Sancar Nigam Limited (VSNL), the state-owned overseas telecom-

workers at some mines, nota-**Northam Platinum loss mounts** bly West Driefontein, which has seen severe unrest in recent weeks. Once again, Kloof was the star performer of the group's

R174.6m

from R193.77m, in spite of a steep increase in tax paid to R43.5m from R13.23m. The group's other large mine, Driefontein, saw aftertax profits drop to R226m from R241.6m, due largely to a long-expected drop in the high grade mined at East Driefon-

tein, which fell to 10.9 g/tonne

from 11.5g/tonne in the previ-

ous quarter. However, smaller mines Deelkraal and Doornfontein turned in disappointing performances. Deelkraal saw gold produced drop to 1,910kg from 2,033kg, due to a drop in ore milled to 837,000 tonnes from 357,000 tonnes. After-tax profit dropped to 11m from

# Property slide hits Hong Kong

world's smaller stock maryear turns out to be the star of the next.

Things are not working out so far this year for Hong Kong. Having been one of the world's worst performing stock markets in 1994, with a decline of more than 33 per cent, the Hang Seng index has dropped a

further 8.1 per cent this year. "Every conceivable aspect of bad news is being thrown at the market" says Ms Kathryn Langridge, head of emerging markets at UK fund management group Perpetual, who runs a unit trust for smaller Asian markets

The most important factor at the moment is the falling property market. Rising interest rates, imported from the US because of the colony's peg to the dollar, have pricked a speculative bubble which saw house prices rise by 30 per cent in the first quarter of 1994.

The commercial property market has also started to turn down, a subject of particular concern to the stock market since more than 60 per cent of Hong Kong corporate earnings are derived from banking and

Property shares have fallen by 44 per cent since their peak in February 1994, while financial stocks have dropped 37 per cent over the same period. For example, shares in Hongkong Land, the blue-chip property group, are languishing at HK\$13.90, compared with a

1994 high of HK\$31.75. With US rates set to rise further - probably after the next meeting of the Federal Reserve's open market committee on January 31 - "the prop-

Tt is often the case with the world's smaller stock mar.

Philip Coggan looks at prospects kets that the dog of one for the colony's stock market, one of last year's worst performers

Hang Seng index relative to The FT-A Pacific Basin (ex Japan) index.

120 ------

Kong stock market.

Add fears of a Sino-US trade

lispute and the rumours about

the deteriorating health of Chi-

nese leader Mr Deng Xiaoping,

and it is hardly surprising that

the Hong Kong market has

been struggling.
In retrospect, the problems

of 1994 and early 1995 can be

seen as an inevitable reaction

to the excessive optimism that

built up in late 1993 about the

prospects for the colony and

China. At just over 7,500, the

Hang Seng Index is back at its

levels of autumn 1993, having

climbed to 12,000 and back in

Fund managers are con-

cerned that the market slide

may continue in the short

term. Mr Peter Chesterfield.

director of Far Eastern invest-

ment management at Abbey

the meantime.

erty and finance sectors could Hong Kong have further to fall, according to Mr Angus Tulloch, a director of Edinburgh-based Stewart Ivory and manager of the New Pacific unit trust.

Higher US interest rates also pose a problem for Hong Kong in that they may persuade domestic US investors to withdraw money from mutual funds and reinvest in short-term deposits.

While Hong Kong is not strictly an emerging market in the definition of the International Finance Corporation, it is regarded as such by many small US investors. The recent problems in Mexico, which may have caused concern among those investors who previously had ridden the emerging market bandwagon, may also cause heavy sales of Pacific funds. Managers forced to sell shares to meet redemptions might well pick on Hong Kong, since it is one of the most liquid markets in Asia.

nother short-term problem for Hong Kong is **1** the shift in attitude towards China. While the Hong Kong market was seen in 1993 as the gateway to the mainland economy, it is now being perceived as the easy exit route.

The Chinese austerity programme, designed to check inflation, is seen as having an adverse impact on Hong Kong earnings in 1996. It may also be causing the repatriation of mainland funds which had been speculating in the Hong Life Investment Services, says

swing is over. The market could lose another 400 to 500 points, taking the Hang Seng

index below 7,000."

Compared with other Asian markets, Hong Kong looks cheap on fundamental valuations, although political worries mean that it normally stands at a discount to its neighbours. Nevertheless, with the market standing on a price-earnings ratio of 10.6 and a dividend yield of 3.8 per cent, according to Datastream, Hong Kong looks reasonably valued in terms of its own history.

r David Marchant investment manager at Equitable Life Assurance, thinks the market will record a modest gain over the next 12 months. "We've been buying but it's like trying to catch a falling knife," he says. But over a 10-15 year view, he thinks that the development of China, with its 1bn consumers, will be a significant positive factor for the Hong Kong stock market.

Ms Langridge says the market "will stay cheap until we see a significant shift in perceptions about property, China and US monetary policy. It could be approaching the end of the second quarter before it becomes a very attractive play once the peak in US interest rates has been reached. At some point this year, Hong Kong is going to be a very big

Much depends on the activities of Mr Alan Greenspan and the Federal Reserve. But every dog has its day and the Hong Kong market could yet reward investors, if not until the sec-

#### munications company, and has and Essar Oil, and the govern-Moreover, IDBI would have ment-owned Oil and Natural yet to announce a new date for had to compete with at least Gas Commission and Hindu-

entes Victoria Linear By Mark Suzmen

Northam Platinum, the troubled Gold Fields of South Africa platinum mine, turned in another disappointing performance for the six months to December 1994, increasing its loss to R75.25m from R58.3m for the same period in 1993. The accumulated loss is now R255.48m (\$71.8m).

The mine is next week due to go to shareholders for a further R500m in a rights issue.

In spite of higher prices for both platinum and palladium, sales revenue dropped to R109.7m from R118.3m due to fewer tons milled. There was a corresponding reduction in the production of refined metal, exacerbated by technical problems, as only 1,440kg of plati-

num was produced, down from 1,703kg.

At the same time, Northam managed to mine only 129,736 sq metres against 132,141 sq metres previously, and has revised its production target downward to 27,000 sq metres a month. However, the company says December saw record production and a slightly

### Sasol to spend R37m on new plant

Sasol, the South African oil and petrochemicals producer, has announced plans to build a R37m methyl isobutyl ketone (MIBK) plant in Sasolburg, south of Johannesburg.

The new plant will be part of the company's R820m (\$230m) renovation of its chemicals division, and Sasol hopes to complete design and production before January 1996. ...It will have an annual capac-

ity of 15,000 tonnes and plans

to export 80 per cent of its output in a move Sasol bones will reduce its vulnerability to fluctuations in the price of acetone. MTBK and acetone are solvents used in a wide-range of applications from paints to

# Citic acquires control of Portman Mining

By Nikki Tait in Sydney

China International Trust and Investment Corporation (Citic), the Chinese state-owned investment group, is to take a controlling interest in Perthbased Portman Mining, and use the listed company as a vehicle for resource and mining interests in the Asia-Pacific

The investment is being made by Citic Australia, one of Citic's largest overseas operations. It has agreed to

subscribe for 45m shares in Portman at 84 cents each, for a total outlay of A\$37.8m (US\$29.1m). This will give it a 52.5 per cent stake in Portman. The subscription price is a premium to the market price for Portman shares, which stood at 69 cents ahead of the announcement, and rose 3 cents on the Citic news.

In addition, Citic Australia has agreed to procure a 10-year, A\$30m loan - for no interest rate margin - if Port-

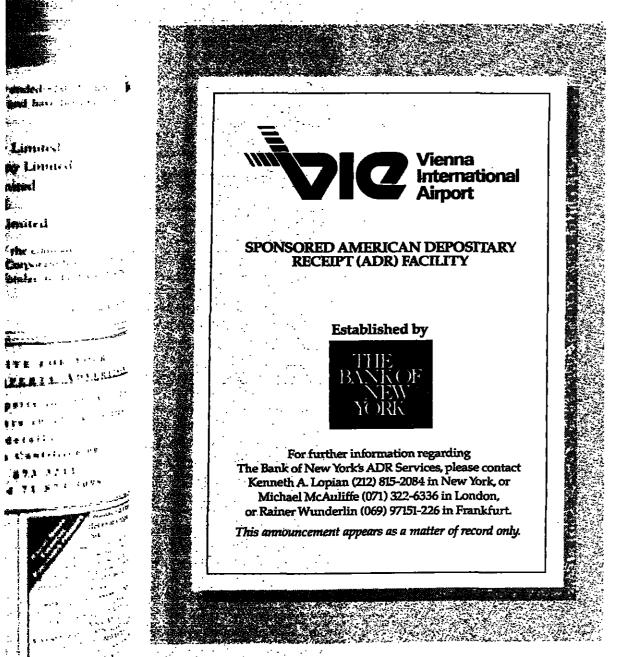
man decides to go ahead with a A\$74m coking coal project in Queensland. Portman said yesterday it was finalising a feasibility study on the Burton Downs project, which could produce about 2m tonnes of coking coal annually.

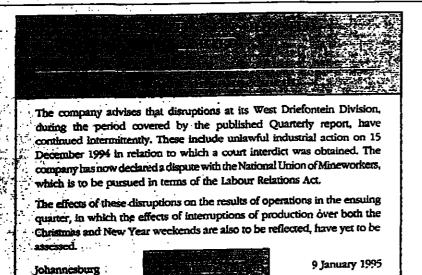
Citic Australia – which

already owns a stake in the Portland Aluminium smelter in Victoria, and Metro Meat, a big Australian meat processor - will have four nominees on the eight-strong Portman board, and effective control

through the chairman's casting vote. The parent company, Citic, was established by the Chinese government in 1979 and now holds an international investment portfolio.

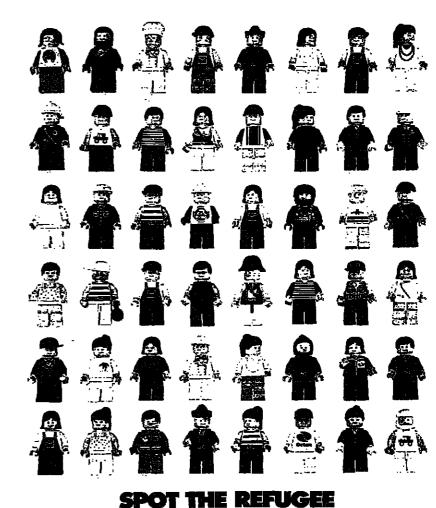
Portman already has links with the Chinese through the redevelopment of the Koolyanobbing iron ore deposit in Western Australia, where its joint venture partner is Anshan Iron and Steel Complex, China's largest steelmaker. The bulk of the mine's











# Everything they once had has been left behind. Home, family, possessions.

left behind. Home, family, possessions, all gone. They have nothing. And nothing is all they'll ever have

unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

There he is, Fourth row, second from the left. The one with the moustache. Maybe not. The unsavoury look character you're looking at is more

likely to be your average neighbour-hood slob with a grubby vest and a weekend's stubble on his chin. And the real refugee could just as easily be the clean-cut fellow on his left.

Except for one thing.

You see, refugees are just like you

We're not even asking for money (though every cent certainly helps).
But we are asking that you keep an open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything. UNHCR is a strictly humanitarism

organization funded only by committed ones. Currently it is responsi for more than 19 million refugres UNHCR Public Information P.O. Box 2500

THE BUCKS HERE.



FIDELITY FRONTIER FUND Société d'Investissement à Capital Variable Kansallis House - Place de l'Etoile B.P. 2174 L-1021 Luxembourg R.C. No B 20494

DIVIDEND NOTICE

Paying Agent: KREDIETBANK S.A. LUXEMBOURGEOISE

At the Annual General Meeting held on December 29, 1994, it was decided to pay a dividend of US\$ 0.10 (cents) per ahare on or after January 26, 1995 to shareholders of record on January 5, 1995 and to holders of bearer shares upon presentation of coupon no 7.



#### INTERNATIONAL CAPITAL MARKETS

# Concern over Mexico spreads to high-yield sector | S Africa boost for

and Lisa Bransten in New York

Spanish and Italian government bond prices dropped sharply yesterday, as concern over weakness in Mexico and other emerging markets was transferred to the high-yielding countries of Europe.

Investor confidence, already weakened by S&P's decision last week to cut Sweden's credit rating, was further undermined by rumours, later denied, that S&P was set to

downgrade Italy. Investors are moving back to the core markets, from Latin America back to the US and from the peripheral markets in Europe to Germany and the said Ms Alison Cottrell, of PaineWebber

concern over the domestic political situation weighing heavily on bond prices and sending the peseta close to new

lows against the D-Mark. The yield on 10-year Spanish government bonds moved through the 12 per cent level

GOVERNMENT **BONDS** 

from 11.92 per cent to 12.11 per cent, and the yield spread against German bunds widened from 427 to 439 basis

Italy suffered less of a sell-off but the spread against bunds nevertheless widened from 481 to 491 basis points during the day. Comments by the goverof the Bank of Italy that

Spain was hardest hit, with recent developments on infla- widening of European spreads widened to 117 basis points showing unemployment at 5.4 tion were worrying proved a drag on the market.

in Sweden, the yield spread on government bonds against bunds widened to 333 basis points from 312 during the day, largely on the back of the credit downgrading but also on leaks of spending cuts of SKr23hn in today's budget.

"This is in line with expectations but is not enough to reassure financial markets," said one dealer.

■ German government bonds fell, largely due to comments from Bundesbank officials, which served to underline the German authorities confidence in German growth prospects. "This led to a strengthening of the D-Mark and a weaking of

bond markets and a general

against Germany," said Mr Julian Callow, international economist at Kleinwort Benson

Traders reported selling of the long-end of the market and buying of the short-end, reflecting the belief that the yield curve is poised to steepen with short yields to fall still further.

The March bund future on Liffe was down 0.25 at 88.35 in late trading.

■ UK government bonds moved lower, knocked by the weaker tone in Germany. The weakness of the pound on foreign exchanges was a contributing factor, feeding through into the bond mar-

The spread against bunds

from 112 and the long gilt future was down 1 at 1001 in

■ The French government bond market held its own, maintaining a spread of 64 basis points over bunds.

■ US Treasuries gave up most

of Friday's gains yesterday morning as traders waited for data due today to gauge the strength of the economy. By midday, the 30-year government bond was down n at 951 yielding 7.893 per cent. At the short end of the market, the two-year note was down in

Friday as the market made

modest gains, in spite of data

at 99%, yielding 7.656 per cent. Many market analysts were left scratching their heads on

per cent - the lowest level in four years.

Some speculated that traders might have been betting the jobs figures would spur the Federal Reserve to tighten monetary policy further. Yesterday's reversal, there-

fore, was a more expected development, although there was little new economic news and volume on the market was reported to be light. Early in the morning, short-

covering helped boost prices, which had fallen in European this year. trading, but prices sank again by early afternoon. Today, the Labor Depart-

ment is to release its producer price index and many fear it will continue to show inflationprovoking pressures at intermediate levels.

# depositary receipts

Demand from South African companies for capital is set to give new impetus to the market for depositary receipts, paper which represent underly-

Mr Joseph Velli, executive vice-president at the Bank of New York, said 30 South African companies are considering the issue of depositary receipts

Last year 22 South African companies issued depositary receipts, although only a handful raised fresh capital. Others are interested in broadening their shareholder base.

The bank also expects German companies to be active players in the market this year. Mr Velli said that three German companies - described as "household names" - are also about to issue depositary receipts, following three issues in 1994. Dresduar Bank raised \$175m through a private placement under the SEC's rule 144a, while other companies issued level one ADRs, allowing them to trade their shares on the US market.

"German companies have now embraced the concept. We think the German market will open up in a meaningful way," said Mr Velli.

The Mexican financial crisis has had little effect on the depositary receipt market, even though there has been a slowdown in new issuance in the last three months. Although some institutions have sold DRs issued by Mexican companies, others have been buyers and on a "net-net" basis US investors have increased their exposure, although by less than 10 per

# Japan Development Bank sterling offer well received

The dormant 10-year sector of the eurosterling market was re-opened yesterday by Japan Development Bank, which brought a £250m deal via BZW

and J.P. Morgan. The bonds were brought at 30 basis points over the 81/2 per cent gilt due in 2005 and held at that level when freed to trade, suggesting they were correctly priced in the view of

JDB, which is guaranteed by the Japanese government, last tapped the market two years ago and the relative scarcity of the name may have added to the strong welcome from UK

institutions. Around 10 per cent of the bonds were sold in Asia, with between 30 per cent and 40 per cent sold to fund managers in

days from GECC raised eyebrows as lead manager Goldman Sachs increased it twice from the \$100m launch, first to \$150m then to \$200m. The fiveyear bonds have a two-year call option, and a coupon of 8%

#### INTERNATIONAL **BONDS**

Morgan Stanley announced a \$600m five-year convertible for Grand Metropolitan, which will help finance the UK hotel and leisure group's acquisition of Pet, the US food group. The bonds were given an A+ rating

by Standard & Poor's. Pricing will take place next week, and roadshows will be held tomorrow in London, on Thursday in Zurich, Geneva, Paris and Milan, and on Friday

polis and Los Angeles.

KfW, the German reconstruction agency, brought a DM1bn offering via Deutsche Bank in Frankfurt, which reported strong demand from institutions in the UK. France. Germany, Asia and the Benelux region attracted by the five-year maturity.

The Province of Ontario, a frequent borrower in the euromarkets, raised DM500m with a five-year floating-rate note via CS-First Boston, which reported good demand from investors attracted by the currency and the coupon. It was priced at Libor plus 8

basis points and widened to

Libor plus 9 points, still within

Sale of an issue by PepsiCo via Credito Italiano started the day well but slowed after comments in Basle by the governor

#### **NEW INTERNATIONAL BOND ISSUES** US DOLLARS Crecem Finance+± Jan 2000 undisc Jan.2000 Dec.1999 FRENCH FRANCS European investmen 100.59R Feb.2005 0.325R +8(7%%-05) Banque Paribes ITALIAN LIRE PepsiCo ABN Armo Ban 2bn 6.10 102.75 May.2001 1.875

coupon of 11% per cent on the

L150bn three-year issue, the

highest in the three-year area

for some time, was made possi-

ble by swap rates. Demand was

Up to 5 years (24)

Up to 5 years (2)

8 All stocks (13)

FT-ACTUARIES FIXED INTEREST INDICES

-0.02 -0.26

+0.05 -0.01

of the Bank of Italy on inflation, combined with a rumoured downgrade of Italy by Standard & Poor's.

S&P later denied that any change in credit rating was Credito Italiano reported

firm demand from investors strong in Italy, Switzerland attracted by the rarity of the very strong name. It said the

139.53

187.25 173.66

174.18

added. The European Investment Bank brought a FFrl.5bn, 10-year deal via Paribas, which had a large pre-order for the

1.38 0.87 0.92

0.51 5 yrs 0.00 15 yrs 1,19 20 yrs 0.00 kred.† 0.37

0.00 Up to 5 yrs 0.00 Over 5 yrs 0.00

one and moves. Coupets senses Love U%-74%; Medium; 8%-194%; High: 11% and over. † Fet yield, yid Year to date. 194 are as followet UK Gibs 5-15 138.08 ; All Stocks 138.30 Index-Liked up to 5 yrs 187.25; Over 5 yrs 173.51; All Stocks 174.14; Deb & Loens 128.43 Average Gross Re f: Medium & To: High 8.60: Index-Liked up to 5 yrs 5% 4.08; 10% 2.83; Over 5 yrs 5% 3.88; 10% 3.89.

#### S&P sees no recovery in European ratings

By Graham Bowley

There will be no rapid recovery in European credit ratings this year, according to Standard & Poor's, the US credit rating

agency.

Although the region is recovering from recession, "the recovery has not been strong enough to halt the decline in ratings and no sudden upturn is anticipated in 1995," S&P said at a press conference on European credit trends.

"In spite of the positive growth environment in most European economies, European manufacturing and service industries still face long-term structural and competitive challenges," said Mr George Dallas, managing direc-

Jan 9 Jan 6 Yr.

tor of S&P's European rating

activities. "Ratings will not be raised simply because many incustries are now enjoying a more favourable part of the eco-nomic cycle," he said.

Credit quality continued to fall in Europe in 1994. S&P downgraded 47 European bor-rowers and upgraded nine, compared with 48 downgrades and seven upgrades in 1993. S&P later denied rumours.

which had swept the international markets, that it was considering downgrading Italy. "There is no basis in any

claim that we have put italy's rating under review," said Mr remained AA with a stable out-

Jan 9 Jan 6 Yr. ago Jan 9 Jan 6 Yr. ago Jan 9 Jan 6 Yr. ago

5.89 6.50

Jan 9 Jan 6 Yr. ago

WORLE	BON	D PRI	CES .									<del></del>			
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Germany Bu	QAT	7.500 7.375	04/05 01/05	94.0100	-0.080 0.180 ·	8.38 8.23 7.72 · 7.64		III ITALIA	N GOVT. B	OND (BTP)	<u>FUTURES</u>	OPTIONS	(LIFFE) Lin	200m 100	this of 100%
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Netherlands		7.250	10/04	95.9800	-0.170	7.85 7.80	7.52	9800		126	2.05		1.71		3.20
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† Gross finctud	Sing withhol	idina tax at	12.5 per o	ant payable	by connects	ields: Local ma ass)		= NOTIC	NAL SPAN	BOND I	UTURES				
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TELECOM

THE FIRST SIX MONTHS OF TELECOM ITALIA

The figures are in Lira

ADDED VALUE (BILL)

ADDED VALUE / REVENUES (%)

OPERATING PROFIT (BILL)

GROSS OPERATING MARGIN (BILL)

PROFIT BEFORE TAXATION (BILL)

1993 FIGURES REFER TO MERGED COMPANY SIP

PROGETTO GRAFICO: PUBBLICITARIO - IACOPINI • BICCARI - ROMA

NET FINANCIAL CHARGES / REVENUES (%)

TELECOM ITALIA - Direzione Generale - via Flaminia, 189 - 00196 Roma

REVENUES (BILL)

GOM / REVENUES

INVESTMENTS (BILL)

A NEW NAME LEADING TELECOMMUNICATIONS IN ITALY

30.06.94 31.12.93\*

23.404

18.164

12.327

77,6

52,7

9,8

3.796

1.741

7.963

14.276

11.345

79,5

56

7.994

3.136

5,3

2.175

3.680

TELECOM ITALIA

TELECOM ITALIA

TELECOM ITALIA

tive in a free market". (Francesco Chirichigno) **Managing Director** 

in the sector.

was set up on 18 August 1994 through the merging of five companies (SIP, Italcable,

separately, and has thus become a global operator in a completely new framework.

is now the sixth largest telecommunications operator in the world in terms of turnover

managed italian telecommunications

and one of Europe's prime investors

It is a joint-stock company with almost

70,000 investors and 18% of its share capital is held by foreign shareholders.

has a worldwide presence with 18 representative offices with a large number

of other corporate entities, it also has a wide-spread commercial network geared to provide, even abroad a speedy, integrated and innovative answer to the communications

requirements of people and companies.

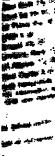
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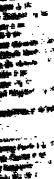
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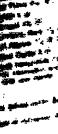
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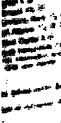


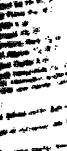


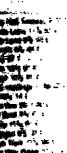




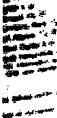


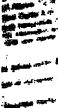


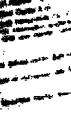


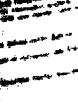


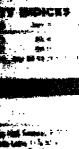






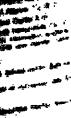




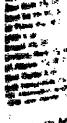


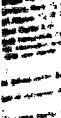


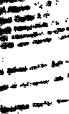




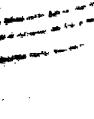




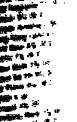




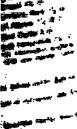




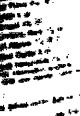










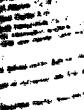


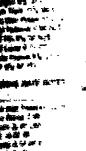












#### **COMPANY NEWS: UK**

Northern Electric questions lack of rationale in offer document

# Trafalgar to make £8m in bid

By David Wighton and Michael Smith

Trafalgar House stands to make almost £8m before expenses by bidding for Northern Electric whether or not its £1.2bn offer succeeds.

The offer document, published yesterday, reveals details of innovative derivatives contracts linked to electricity companies' share prices which Trafalgar entered into with Swiss Bank before the bid was announced.

In the document Trafalgar pledges to keep the headquar-ters of Northern Electric in

Newcastle upon Tyne. Trafalgar also called on Northern to convene "forthwith" an extraordinary meeting to discuss a motion to set aside an article of association limiting single shareholdings to 15 per cent of the capital.

Northern agreed provisionally to convene the meeting but dismissed Trafalgar's offer

M&G, the unit trust

management company, intends to increase its share of the per-

sonal pensions market over the

next five years and has altered

the structure of its products so

that prospective buyers can see

product marketing and devel-

opment, said that currently

M&G's share of the personal

pensions market was about 1

per cent. "We want to be a

top-20 player," he said.

Mr Bill Vasilieff, head of

By Norma Cohen,

charges clearly.

M&G plans growth

in personal pensions

as wholly inadequate. The campaign for the bid to be referred to the Monopolies Commission was joined yesterday by Mr Neville Trotter, Tory MP for Tynemouth. He said he was concerned about the long term benefits to customers and shareholders.

Northern today outlines its reasons for the bid to be referred. It is likely to question the suitability of Trafalgar because of the degree of influence exercised by Hongkong Land, owner of 26 per cent of Trafalgar.

Mr Rodney Leach, a director of Trafalgar and Hongkong Land, dismissed such arguments as a red herring, saying minority shareholders were prevented from abusing their position by City regulation. Northern said the offer docu-

ment contained limited disclosure on the derivatives contracts between Trafalgar and Swiss Bank. However, it is understood that Trafalgar has already made £4m from the contract and should make a total of about £8m when the final contracts are closed. The gains should offset most, if not all, of its bid expenses. It is the first time such contracts have been

"contracts for differences" with Swiss Bank, all but two of which have been closed out. The contracts related to a total of 3.35m shares in Northern Electric, together with 254,500 in South Wales Electricity, 307,700 in South Western Electricity, 296,850 in Manweb and 547,925 in London Electric-

publicly disclosed in a bid.

Trafalgar entered into seven

They provide for Swiss Bank to pay Trafalgar the difference between the market value of the shares when the contracts closed and the value agreed when they were struck. The Northern contracts were agreed at prices ranging from 808p to 865p, compared with

yesterday's close of 974p.

If the share prices had fallen Trafalgar would have paid Swiss Bank the difference up to a total of £10.9m.

Trafalgar and the advisory side of Swiss Bank do not know how the derivatives arm of the bank, on the other side of the "Chinese wall", offset its

Mr Brian Keelan, who heads Swiss Bank's Trafalgar team, said if all the contracts had been tied to Northern Electric's share price there would have been a danger that the derivatives arm would buy a large number of Northern Electric shares, alerting the market to a possible bid.

Last week it was revealed that Swiss Bank's market making arm had built up an 8.2 per cent stake in Yorkshire Electricity, a 3.46 per cent stake in Northern and smaller holdings in Southern Electric, Seeboard and London Electricity.

# Single premium side

By Tim Burt

and the sales agent.

Meanwhile, M&G yesterday
released details of its executive

M&G came under fire last spring for agreeing a scheme which granted executives options to buy M&G shares at prevailing market prices and set no performance criteria under which they could be

The move provoked an out-The personal pensions business has been dominated by the life insurance industry, currently under fire for giving poor advice to clients and failing to inform prospective customers about charges. New rules which took effect on Jan-

uary I now require charges to he disclosed. M&G pension products, which are sold through independent financial advisers, allow for payment of flexible issions to sales agents of

up to 8 per cent of each year's contribution. The sum may be negotiated between the client

share option scheme agreed last year, and disclosed details of other executive share

exercised.

cry from shareholders who argued that the shares moved in line with equities markets. allowing executives to receive windfall gains without demonstrating they had improved the

company's performance.

M&G's annual report shows
that 10,739 options to buy M&G shares at 995p were issued last year. Yesterday, the shares closed down 1p at 975p. The options are exerciseable at end-December 1996.

Theseleci

The British Railways Board invites

organisations to register their

potential interest in buving Rail

express systems (Res), which

carries by train approximately 24

per cent of all letters for the Royal

Mail, a division of the Post Office.

Res and its predecessors have carried

mail for over 150 years and in the year

to 31 March 1994, Res' turnover was

December 1993, British Rail and the

Post Office signed new contracts which

are intended to run until at least 2006.

construction of a new terminal in North

West London and the purchase of 16

Res currently operates 61 trains each

day for the Post Office, of which 24 are

"travelling post offices", on which mall

is sorted overnight by Post Office staff.

The business currently employs around

720 people and uses 161 locomotives.

133 travelling post office carriages and

400 general purpose railvans. It also

operates four maintenance depots at

Crewe, Cambridge, Bristol and Euston.

Under the terms of these contracts,

significant investment is being made

by the Post Office, including the

new trains.

approximately GB246 million. In

Fall Expess systems

In addition to the business which it

undertakes for the Post Office, Res

The provision of haulage for

husinesses

parcels service

contracts in place.

Futures Authority.

ect as a single party.

provides other services which include:

"charter" type passenger services

The hire of locomotives and train

crew and the provision of further

services to other train operating

The carriage of parcels on behalf

of Red Star, British Rail's express

This is an opportunity to purchase an

established train operating business

with existing revenue-generating

This advertisement is issued by

the British Railways Board and

purpose of Section 57 of the

Hill Samuel Bank Limited, a

In Italy, in case two or more organisations

register their potential interest lointly, such

registration will be taken into consideration

only if and to the extent that such organisations

member of The Securities and

Financial Services Act 1986, by

has been approved solely for the

# declines at Refuge

By Alison Smith

Refuge Group, the life insurer, reported a sharp fall in both regular and single premium new business for last year. In contrast to the experience of much of the life sector, Refuge's single premium business suffered most, while its ordinary regular premium business

held up relatively well. Long-term single premium new business fell by 38 per cent from £70.8m to £44.1m. Ordinary regular premium new business dipped slightly to £14.6m (£15m). Sales of unit trusts rose by 57 per cent to

Shares in Simon Engineering

fell 7p to 79p yesterday after

the debt-burdened group

announced a further 25m provision to cover its

However, there was a steep drop in its industrial branch business, where premiums are collected in cash from customers' homes on a fortnightly or monthly basis. New business fell by 40 per cent to £10.6m (£17.7m), and the sector's importance is expected to decline further.

Mr John Cudworth, chief executive, said the group's single premium new business in 1994 had been particularly affected by its caution over taking on pension transfer cases. The sale of personal pen-sions was the subject of new guidance from City regulators

Simon makes 'final' provision

long-running restructuring.

executive, said the provisions would cover bad debts and the

cost of improving product

quality, mainly at Access UK, its mobile gentry and plat-

nterested parties should

edister without delay with

The Commercial

Vendor Unit

British Railways Board

Gordon Street

London WO1H GAN

Tel: 0171 S83 4966

Fax: 9171 363 5715

Department

₹

Mr Maurice Dixson, chief

#### Sunsail rises 43% as it heads for market

Sunsail International, the sailing holidays operator with more than 650 yachts worldwide, lifted profits last year by 43 per cent, the pathfinder prospectus showed yesterday.

Pre-tax profits for the year

to end-October rose from £1.28m to £1.83m on turnover ahead from £19.4m to £24.4m. The company, which expects to be valued on flotation at about £20m, intends to make a placing with institutions to raise up to £5m of new money. It plans to use this to fund further expansion and repay £1m of the debt incurred in

the 1992 management buy-out. Mercury Development Capital, which holds more than half the shares, is expected to retain a stake of about 10 per cent. Mr Christopher Gordon, who founded the company in 1978, will be the single biggest shareholder, with about 15 per cent. The management team, including Mr Gordon, is expected to keep a holding of at

The MBO closely followed the collanse of Airbreak, the USM-quoted tour operator that acquired Sunsail in 1991. Mr Gordon, who had sold Sunsail for shares in Airbreak, led the MBO, buying the company back for £600,000, retaining debt of £1.5m and injecting a further £3m to allow trading

to continue. The company now operates in 18 countries from 19 bases and nine hotel sailing clubs. About 80,000 people sail with the company each year, and up to 60 per cent of bookings are

Impact day is expected to be February 10. Sponsor to the issue is Henry Cooke Corpo-

forms business. He also

claimed it would be the final

exceptional provision from the company, which brought in a

new management team 18

months ago to oversee a res-cue rights issue and aggressive

Analysts warned that year-

end losses could now exceed

£15m. "There are signs that

the Simon businesses are not

responding to treatment as

quickly as first thought," said

one. However, the company

said the Access business had

enjoyed strengthening orders

in the US, while the perfor-

mance of both the process

engineering division and the storage division had improved.

disposal programme

### Austrian buy for Anglo

By John Murray Brown in Dublin

Anglo Irish Bank Corporation, the Dublin-based bank, has acquired Royal Trust Bank of Austria for I£13m (£12.9m), in a move to improve its interna-tional deposit base.

Royal Trust, a subsidiary of Royal Bank of Canada, has ash deposits of about I£235m. all of which is placed on the

interbank market. The Vienna-based bank has some 6,000 small retail depositors spread over 19 countries. Anglo Irish said the bank has no borrowings and no risk

The deal was financed from cash resources following a

rights issue in 1994. Mr Tiarnan O'Mahoney, Anglo Irish's treasury director, | nology company, from 12.2 per said it was the first time it had acquired a bank in order to purchase the deposits. However, the deal was "very much in keeping with our strategy to broaden and diversify our source of

# Good summer behind 63% leap at AG Barr chains of highly-publicised

By James Buxton, Scottish

Good summer weather in the UK in 1994 helped AG Barr, the Glasgow-based soft drinks com-pany which manufactures Im-Bru and Tizer, record a 63 per cent increase in profits in the year to October 29, despite a highly competitive market. Pre-tax profits rose from

£4.1m to a record £6.7m. Turnover was unchanged at £87.9m. The rise in summer demand in Scotland and the north of England, Barr's main markets, offset the effects of competition both from commodity products offered at low prices and the introduction by the big retail

American-style premium cola products, Mr Robin Barr, chairman, said. Barr last year produced less

drink for retailers' own label brands, refusing to accept the low margins on offer. Instead, it increased marketing support for its own brands, sales of which grew nearly 5 per cent. From March this year Barr will take over from Bulmer the franchise to make Orangina under licence from Pernod Ricard. Mr Barr said this would add about £15m to turn-

following year. The company, of which members of the immediate Barr family own about 20 per cent, has about 5 per cent of the UK soft drinks market.

Mr Barr said total turnover in the first two months of 1994-95 was marginally above the same period of the previous year. He warned that trading conditions remained flercely competitive, and it was uncertain how the big cola brands would react to the premium

colas in 1995. Earnings emerged at 24.17p (15.48p) per share, and a final dividend of 5.8p is recom-mended, for a 7.8p (6.5p) total. Barr's shares put on 11p yes-

over, but a contribution to profits is not expected until the terday to close at a high for

# Launch this month for NHP

By James Whittington

Nursing Home Properties, the UK's first property investment fund to specialise in the purchase and leaseback of purpose-built nursing homes, is due to be launched this month through a placing and open offer of ordinary shares. It hopes to raise between £20m and £30m.

A loan from National Westninster Bank will match the funds raised through the share

Mr Richard Ellert, chief executive, said the company would provide badly-needed finance to the residential and nursing care market and would be modelled on the successful specialist US quoted companies known as REIT's – Real Estate Investment Trusts.

"With the huge demand for nursing care, operators are desperately in need of fresh funds. They are either constantly coming back to do rights issues or increasing their gearing with loans. What ownership and operating parts of the sector in much the same way as has been done in notels," Mr Ellert said.

The nursing homes purchased by NHP would be leased back to operators for periods of at least 25 years.

NHP shares will be priced at 100p each and the company's broker, Collins Stewart, has forecast a dividend of more than 7 per cent for the first full year. Close Brothers Invest-ment is sponsoring the issue.

#### Rebels join board of **Barr & Wallace Arnold** Irish Bank formerly finance director.

By James Whittington

Rebel shareholders at Barr & Wallace Arnold Trust have succeeded in joining the board following the family feud over the motor and leisure group. Brothers Nicholas and Rob-

ert Barr were yesterday for-mally appointed chief executive and deputy executive chairman, responsible for the motor and leisure divisions respectively. They replace Mr John Parker, the former chief executive, and Mr Brian Small.

The brothers now share the boardroom with their uncle. Mr Malcohn Barr, whom they had earlier asked to stand down as chairman. Mr Kerry Frith, a fellow rebel shareholder, was appointed a nonexecutive director.

Mr Malcolm Barr said the board would push ahead with proposals to enfranchise the non-voting A shares. It would also discuss demerging the two divisions, a central demand by the rebals.

#### Zeneca lifts Sugen stake

Zeneca has increased its stake in Sugen, a California biotechcent to 20 per cent and committed itself to a five-year programme of collaboration and further investment.

Zeneca is paying \$17.5m (£11.2m) and a series of annual and milestone payments. Sugen is Zeneca's first, and

so far only, large biotechnology investment. Its area of expertise is in studying the chemicals signals that take place within cells in the body.

The terms of the deal allow Sugen to invest in drug development at some stage in return for a share in profits from any drug that reaches the market. If it does not, its income will be in the form of a sales-related royalty.

#### French edges ahead to £1.1m

Thomas French & Sons, the manufacturer of curtain styling products and decorative home accessories, reported pre-tax profits slightly up from £1.05m to £1.1m for the year to

October 1. The outcome was achieved on turnover up from £14.6m to £15.3m and was helped by a lower interest charge of £238,000 (£257,000).

Earnings came out at 5.77p (4.67p) and the dividend for the year is held at 3.625p with a maintained 2.175p final.

Victaulic acquisition Victaulic, the pipeline products maker, has acquired Kunstoffwerk Höhn, a German polythene pipe manufacturer, for DM5m (£2.1m) cash.

Hohn, part of the Huls group, had estimated sales of DM34m for 1994 with a loss at the operating level.

Oxford Molecular

Oxford Molecular Group, which develops software for use in drug design, has responded to recent press spec-ulation with the announcement that it is negotiating the acquisition of another US The proposed purchase

designs and develops software for computer-aided molecular design. The company will release more details in the next Oxford acquired IntelliGene-

tics, a US-based company

tein sequence analysis software, last August.

funding".

net asset value per share of 22.59p at the end of the year to ing listed investments at market value, compared with 22.1p

Net revenue was 10 per cent

**BrightReasons** 

BrightReasons, the Pizzaland

The company said that current year trading had started well.

Coats agrees sale Coats Viyella, the UK's largest

textiles group, confirmed the disposal of its carpets division to Shaw Industries of the US.
The businesses - excluding Navan Carpets, the Axminster weaving plant in the Irish Republic, which is subject to separate discussions with a third party - are being transferred next week to Georgiabased Shaw for a consideration

Corres -7.8 245 2.175 7.6 3.625

**DIVIDENDS ANNOUNCED** Current Date of payment payment Apr 7 Mer 24 Mar 3 Feb 24 Feb 24 27 French (Thomas) 2.175 nte Trust .....int 0.75

Dividends shown pence per share net except where otherwise stated. \* Third

#### **NEWS DIGEST**

which develops DNA and pro-Holdings, the self-adhesive and film products company, for £2.21m Consideration comprises

Savills up 60%

£1.4m cash and 316,148 shares

Pre-tax profits at Savills, the

surveyor and estate agent, improved to £1.9m for the six

months to October 31, com-

pared with £1.19m last time. The 60 per cent rise came on the back of turnover 23 per

cent ahead to £14.3m (£17.6m).

is unchanged at 0.75p.

T&N disposals

Goetze investments.

Greycoat sale

approval.

Earnings per share rose 1p to

3.1p, and the interim dividend

T&N, the engineering group, has raised a total of £50m

through the sale of a number

of non-core activities including

Royal Bank US buy

Citizens Financial Group, the

US subsidiary of Royal Bank of Scotland, has completed the

290.8m acquisition of Massa-

chusetts-based Quincy Savings

Bank following regulatory con-sents and stockholder

Greycoat, the property invest-

ment and development com-pany, is continuing its with-drawal from the US with the

Western Selection

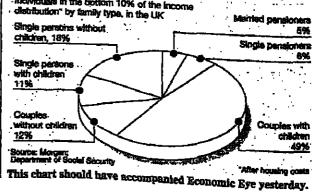
Western Selection, the investment finance company, had a September 30. This figure, taklast time.

lower at £38,800 (£43,300). Earnings per share slipped to 0.26p (0.29p) but the final dividend is maintained at 0.25p.

and Bella Pasta restaurants company which intends to seek a listing, reported operating profits of 26m for the year to September 24, against £3.5m. Turnover advanced from 283.3m to 276m.

Macfarlane expands Macfarlane Group (Clausman), the Glasgow-based packaging group, has acquired Dalewood

Family characteristics of the poor inclividuals in the bottom 10% of the income



British

sale of its 110,000 so ft suburban office building in New Jer-

Springs Associates, a New York real estate investment Greycoat will use the proceeds to repay related bank

sey for \$8m (£5.1m) cash.

The building is being bought

at above book value by Sunset

debt of \$5.4m.

Smith fire update David S Smith (Holdings), the paper and packaging company, said yesterday that a fire at its Kemsley paper mill in Kent has affected less than 10 per

cent of the waste paper stored at the site. The fire, which broke out at midnight on Friday, was now under control, the company said, and normal business at the mill has been unaffected by "this relatively small loss of raw material".

Goetze Elastomere and other CH Bailey

CH Bailey, which is engaged in engineering, ship repairing, let-sure and business and financial management, incurred more than doubled pre-tax losses of £469,933 for the 28 weeks to October 7, against £206,359. Turnover rose from £1.89m to £1.97m.

Mr Christopher Bailey, chairman, said ship repairing suffered a difficult first four months, but had improved considerably since August. Losses per share were 0.78p (0.34p).

Salah Barat Salah

And the second

HILL SAMUEL

#### **COMPANY NEWS: UK**

# Gardner talks to French group

PURINAY JANUARY IN

per .

family only about the family only about the state of the

ine parts pourse.

Sodewho reported turnover of FFr11.2bm (£1.8bm) for 1993-94, 15 40-1 per character many sign of FFr4.50n. and has a market capitalisa-Gardner Merchant, bought

the state of the factor of the state of the by its management from Forte for 2402m at the end of 1992, truint in 1998 took turnover through the library of the State of the barrier in 1998-94. Forte still has a 25 per cent

Analysts suggested yester-day that the two groups would fit together well. Sodewho is thought to be particularly interested in Gardner's interests in the US, where it is the lifth biggest contract caterer after acquiring part of Morri-

son Restaurants' contract food division for 266m last June. Gardner now operates in 40 states and takes 25 per cent of its turnover in the US. Soderho would make no

comment yesterday. Gardner

number of approaches as this is a very attractive company." At the time of the interim results last October, Mr Garry Hawkes, Gardner chief executive, said the group was under no pressure to float. Its investors were happy with the returns and market conditions "were not very encouraging".

Responding to a recent report that it would float this summer, the group said that flotation was only one option. Granada, the leisure and entertainment group, last summer offered to buy Gardner for about £700m. It is not thought likely to be tempted to offer a

#### ICI buys acrylic sheet plant

By Jenny Luesby,

Imperial Chemical Industries has bought its first manufacturing operation in eastern Europe, to produce acrylic and polycarbonate sheet.

It is thought to have paid Kloeckner Pentatec of Germany less than £10m for the Nischwitz plant, near Leipzig. "The business was pur-chased for a competitive price and potentially its annual turnover could rise to more than £30m in the next three years," said Mr Scott Davidson, chief executive of ICI

ICI has invested more than £500m in acrylics since 1990. It is now the world's largest producer of methyl methcrylate (MMA), a key component in the manufacture of acrylic resins and coatings, but has remained weak in the production of acrylic sheeting.

All of these securities having been sold, this announcement appears as a matter of record only

**British Sky Broadcasting Group plc** 

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U.K. Retail Offer

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United Kingdom

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Goldman Sachs International

Continental Europe and Rest of World 87,896,526 Shares

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United States 109,334,712 Shares

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C.J. Lawrence/Deutsche Bank

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Cazenove & Co.

Goldman Sachs International

Barclays de Zoete Wedd Securities Limited

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**Goldman Sachs International** 

Robert Fleming & Co. Limited Kleinwort Benson Securities

Lazard Brothers & Co., Limited

Paribas Capital Markets

Prudential-Bache Securities

Goldman, Sachs & Co.

Barclays de Zoete Wedd Limited

PaineWebber Incorporated

Salomon Brothers Inc

Cazenove Inc.

icember 1994

**Allen & Company** 

CS First Boston

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Lazard Brothers & Co., Limited

S.G. Warburg Securities

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N M Rothschild and Smith New Court

Alex. Brown & Sons

**Hoare Govett Corporate Finance Limited** 

N M Rothschild and Smith New Court

in the form of Shares or American Depositary Shares

Expansion in polymer distribution with two purchases for £9.5m

# Ellis & Everard advances 24%

Ellis & Everard, Britain's largest chemicals distributor, yesterday announced plans to double the size of its polymers business following a sharp increase in first half profits,

writes Tim Burt. Strong demand in the six months to October 31 helped lift pre-tax profits by 24 per cent to £10.5m (£8.5m) and encouraged the company to consider its first expansion into continental Europe since its lossmaking move into Spain

four and a half years ago. As part of that strategy, it has agreed to pay 29.5m cash for Horneman (Holland), the Dutch polymer distributor, and Horneman (UK), its Londonbased sister company.
Mr Peter Wood, chief execu-

tive, said the move reflected the group's confidence that it could further increase market share despite consumer resistance to rising raw material

"Where we're selling to end

users it's been very difficult," he said. "But we've been able to get price increases through (\$7.1m) respectively.

Acquisitions and capital

to manufacturers and proces-Those increases fuelled a 23 per cent rise in operating profits to £11.2m (£9.1m), on sales ahead from £211.5m to £242.9m to gearing of 19 per cent. Earnings per share rose by

raised by 10 per cent to 2.7p Mr Wood said the increase

was justified by the improved performances in Britain and the US, where profits grew to

its reads simply: "Don't gamble

with safety".
Following that advice,

Britain's largest chemical dis-

tributor has adopted a safety

first expansion strategy in both

North America - its largest market - and Europe, where it announced the acquisition of

two polymer distribution com-

panies yesterday.
The latest deals underline

the group's cautious approach,

guided by its determination to

buy only mature businesses

with long-standing customers and local market domination.

It has realised that ambition

most successfully in the US,

where it has acquired subsid-

iaries valued at \$420m (£269m)

and become the country's fifth

However, the group faces the

common dilemma of distribu-

tors: profits depend on demand

for products whose price is

Ellis & Everard has seen

prices for bulk commodities

rise sharply in the past year.

Spot prices for caustic soda,

the largest single product dis-tributed by its US subsidiaries,

have increased from \$90 to

Across the range of chemi-

pass on the increases. "By

to meet demand even at times

of short supply."

more than \$300 a tonne.

largely outside your control.

largest distributor.

£6.6m (£5.5m) and \$8.8m

investment in both those markets contributed to increased cash outflow of £8.1m (£800,000). Net borrowings rose to £14.3m (£10.3m), equivalent

COMMENT

22 per cent, from 7.2p to 8.8p, while the interim dividend is Reassuring rather than spectacular, Ellis and Everard yesterday reiterated its "softly softly" approach to future prospects. But with only modest gearing, it could justify a slightly bolder acquisition

A safety first approach

presented themselves. The problem is that such companies are relatively few and far between. So the group may in the future find itself relying increasingly on organic growth. Having weathered sharp price increases, however, its existing portfolio of companies are likely to mature nicely and full year profits should comfortably reach £20m. The shares - up 1p at 261p - are worth holding on to even on a

forward multiple of 15.4, a 10

# per cent premium to the mar-ket.

The chemicals distributor has computer control room at HVC, Ellis & Evergrown cautiously, says Tim Burt ard's Cincinnati subsidiary, neatly sums up the group's strategy. Embossed with win-ning dice from a craps game,

HVC is typical of Ellis & Ellis & Everard Everard's US operations. Investment from the Bradfordbased parent has given the plant 22 new underground solvent tanks, improved storage facilities and environmental control equipment.

Some of that investment was forced on the company by increasingly stringent environmental regulations. Once in place, however, the company claims it is handling chemicals more efficiently, and widening rivals.

"A lot of companies won't be in this business in five years time because they cannot afford to comply with environmental regulations or the insurance," according to one executive.

However, even if there is a shake-out among distributors in North America and Europe, competition among the remaining larger concerns is likely to

So while Ellis & Everard may have had some success in passing on price increases and improving market share, it remains to be seen whether it can maintain that position as commodity prices soften and rivals fight for customers.

"Some of the excess price increases will come off by the middle of the year, so they cals supplied by the group, prices have risen by about 20 per cent, albeit from historic lows. Mr James Skelton, presimay have difficulty maintaining their own charges," according to one industry analyst. dent and general manager of HVC, claims it has been able to That could be a danger signal Opportunities, meanwhile, to investing in new equipment and facilities, we've been able

increase market share through acquisitions are shrinking, particularly in the US where the Share price (Pence) M

cost of compliance with environmental regulations has deterred potential buyers.

Source: FT Graphite

The challenge is to sustain the price increases already passed on while extending its distribution network across the UK and among its regionallybased North American subsidiaries. Its ability to do so will depend on when commodity prices start to fall, the rate at which consolidation in the industry throws up stronger rivals, and the relative scarcity of acquisition opportunities.

Those prospects have persuaded some analysts to suggest that the shares have "got ahead of themselves".

Nevertheless, Mr Peter Wood, chief executive, is probably safe in believing the group is set fair for the foreseeable future. "It's difficult out there. But we're signing more sole supplier agreements and we reassure ourselves that capital investment requirements will force out the smaller play-

#### Glaxo wins first OTC approval for Zantac

By Daniel Green

Glaxo shares rose 15p to 686p as it won its first approval for a non-prescription version of Zantac, the ulcer treatment that is the world's biggest selling drug.

The move is part of a growing trend towards offering an over-the-counter version of prescription medicines.

Governments prefer patients to pay for medicines directly rather than through taxes, while drug companies want to maintain income from products as their patent protection expires.

Zantac has sales worth £2.4bn a year, but its patents are beginning to run out, with an important UK and US

patent expiring in 1997.

The approval is unlikely to add much to Glazo's revenues in the short term. The drug is the third to be approved in the UK in its class, the H2 antagonists. The others are Tagamet 100 from SmithKline Beecham, and Pepcid AC from Merck.

Zantac will be sold by Warner Wellcome, the OTC joint venture between Warner-Lambert and Wellcome.

Glaxo has also submitted Zantac for OTC approval in the US and other large markets, some of which have not yet approved an H2 antagonist. Zantac is already available OTC in some countries. such as Denmark.

#### Malaysian conglomerate buys Bloxwich

By Andrew Baxter

Bloxwich Engineering, one of the UK's largest privatelyowned engineering companies, has been acquired by Mega First Corporation of Malaysia, ending 80 years of ownership by the Squire family. The terms were not dis-

Bloxwich is the UK's largest manufacturer of door closure systems for vehicles, and the world's biggest supplier of

container door gear. In 1994

turnover was more than £20m:

there are 470 employees. Mega First is a conglomerate with a wide range of products including copper, cement and industrial ink and a workforce

Mr Ron Baker, managing director of Bloxwich's automotive division, said the two companies had known each

other for eight years. Bloxwich has invested more than £10.7m since 1989 as part of modernisation. Mr Baker said ownership by Mega First

would enable it to advance its expansion plans.

Flying Flowers makes acquisition Flying Flowers also reported Flying Flowers is paying up to £500,000 cash for Bellbourne, £2.4m to acquire Bellbourne, a which trades as Bunches and that it had raised £700,000 supplier of flowers and pot Fresh Flower Supplies. It made through a placing of 907,974 pre-tax profits of £223,000 on plants to non-florist retailers, such as supermarkets, petrol turnover of £7.9m in the year

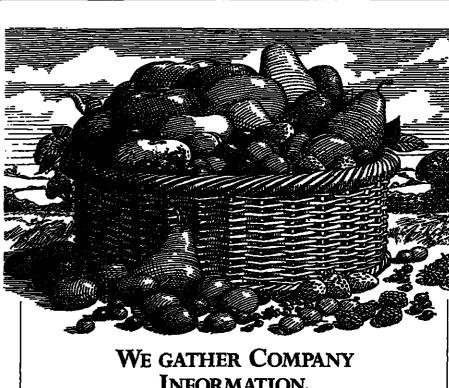
station forecourts and motor-The Jersey-based flowers-bypost group has paid an initial

to September 30. The balance, payable in loan notes and new shares, is dependent on Bellbourne's 1995 and 1996 profits.

shares - 5 per cent of its equity - at 76%p, to provide addi-tional working capital. The group said recently that

its 1994 pre-tax profits were likely to exceed £1.75m (£1.1m).

Mega First has been keen to diversify into engineering.



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#### **COMMODITIES AND AGRICULTURE**

# Analysts expect further rises in base metals prices

Volatility is expected to stem from strong demand and investment fund activity, writes Kenneth Gooding

here will be some hair-raising moments in some of the London Metal Exchange's markets this year, analysts believe, with volatility stemming from strongly rising physical demand and the presence of investment funds in the markets. The analysts' underlying message, however, is that the continuing global economic recovery will ensure that all traded metal prices are higher on average this year than in

Mr Alec Gordon, commodities "guru" at the Economist intelligence Unit, goes further than most of his colleagues by suggesting that nearly all of the metals traded on the LME will be in short supply this year. Prices will become more volatile, he says. "This will be good news for speculators but bad for producers and consumers, for whom volatility turns the serious business of commodity production into some-

thing of a gamble Other analysts' comments reflect the considerable nervousness about the intentions of the investment funds whose sudden and unexpected interest in commodities last year helped to produce spectacular price rises on the LME.

"At this stage of the economic cycle we ought to be getting excited about prospects [for base metals]," says Mr Michael Cook, chief economist at Outokumpu, the Finnish metals and mining group. "But there is need for caution. If the funds decide they have had enough of commodities and give up their positions in copper, there is a danger that people will look more closely at zinc and nickel stocks and we could see a solid downward

**MARKET REPORT** 

ANALYSTS' FORECASTS FOR AVERAGE PRICES IN 1995 [US cents a pound for base metals, US dollars a troy ounce for precious metals)												
	Akuminium		Lead	Nickel	Tin	Zinc	Gold	Platinum	Silver			
Bain & Company	92.5	140	34	460	300	57	390	440	5.35			
Billiton Metals	D3	125	32	400	300	58	n/a	n/a	n/a			
James Capel	90	120	29	400	290	55	410	440	5.50			
Economist Intelligence Unit	80.5	130	31.5	343	276	52.3	n/a	n/a	n/a			
First Marathon Securities	95	145	35	425	n/a	57	400	n/a	5.00			
Hambros Equities	92	145	33	440	n/a	55	400	450	5.10			
T. Hogre & Company	75	125	32	375	300	55	410	450	5,00			
Kleinwort Benson Securities	85	125	30	400	n/a	50	390	430	5.00			
Mecquaries Equities	80	117.5	33.8	375	283.8	51.5	n/a	r/a	n/a			
Merrili Lynch	85	125	30	400	255	50	385	n/a	5.35			
Metal Bulletin Research	97.5	133	34	375	306	52	n/a	n/a	n/a			
Metals & Minerals Research Services	67.5	115	30	375	300	43.5	385	400	5.10			
Richardson Greenshields	80	125	25	340	n/a	n/a	n/a	п/а	n/a			
Smith New Court	79	118	27	352	n/a	50	400	430	5.50			
S.G. Warburg	08	120	29	390	300	52	395	445	5.40			
Rudolf Wolff	77	125	31	362	298	54	n/a	n/a	n/a			
1994 Actual spot average	67	104.6	24.8	287	248	45.3	384	405.1	5.28			
1993 Actual spot average	51.7	86.8	18.4	240	248	43.6	359.8	374	4.31			

"I don't think the funds are in the metals markets for the long term, certainly not in the volume they are now. not with interest rates rising," he says. While base metals prices raced upwards in 1994 it must be remembered this was from a very low base - prices had fallen in real terms to their lowest-ever levels. Prices were recovering, rather than moving

up to their high ground. This is giving the bulls plenty to roar about and some are even asking: How high can base metals prices go? One way of answering this question is to look at what some metals achieved at the peaks in the previous boom at

the end of the 1980s. Remember, then, that copper in December 1988 touched US\$1.68 a pound (\$3,702 a tonne). Earlier that year, in March, nickel shot up to \$10.84 a pound (\$23,891 a tonne), the highest price ever paid for a tonne of metal on the LME. This was followed in June 1988 by the peak for aluminium: \$1.95 a pound (\$4,298 a tonne). Zinc waited until March 1989 to reach its peak of 97 cents a pound (\$2,138 a tonne). No sensible analyst would

dare to predict publicly that we will see these prices again in 1995. But a few privately suggest that copper could well go above \$1.68 a pound in the first half, at least for a short time. Among the big copper bulls Hambros Securities, where Mr Chris Pearson says that

copper consumption is being boosted by demand from South-east Asia because of huge investment in infrastructure projects. This will help reduce global copper stock levels this year from the present equivalent of five weeks of consumption to only three weeks. Mr Pearson does not believe the big increases in copper pro-duction capacity planned for the second half of 1995 will have a dramatic effect on the market. "These are capacity increases, not supply increases. It will take some time for sup-

ply to build up," he says.

Hambros expects copper supply and demand to be about balanced in 1995 as a whole, with a supply deficit in the first half and a surplus in the second six months

r Neil Buxton at Metal Bulletin Research, the biggest bull of aluminium in the accompanying list, points out that his forecast assumes, among other things, that the voluntary cuts made by the producers will hold until September. Supply will also be constrained by a slight fall in exports to the west from Russia but the huge Alusaf smelter in South Africa will start contributing some metal before the year is over. Nevertheless, MBR expects supply to advance by only 2.5 pr cent this year, while it sees demand growing by 4.8 per cent. This would produce a supply deficit of more than 1m tonnes for the year and take LME stocks

ply-demand situation exists for nickel, according to Mr Wiktor Bielski, nickel bull and analyst at Bain & Company, a Deutsche Bank subsidiary. He says stainless steel producers - by far the biggest users of nickel - plan to increase production by 25 per cent between 1994 and 1997 and nickel demand should outnace this because the producers intend to increase output of stainless with a high nickel content. On the supply side, producers are increasing output but, apart from two new mines opened by Western Mining in Australia, the rest of the expansions are incremental. Meanwhile, Norilsk in Russia, the world's biggest supplier can be expected to continue to suffer production problems - Norilsk admits its operations need about

adversely, influenced by the slow-down in economic growth in the US that is expected to be ' A similarly favourable supa feature of the second half of 1995. Sentiment will also cer-tainly be swayed by the attitude of the investment funds. Mr Jim Lennon at Macquarie Equities is not alone in suggesting that "when US growth starts to slow and the bond market starts to rally, this could be a signal for the funds to switch out of metals." However, he adds: "This seems

unlikely before the second quarter of 1995". As for precious metals, the bulls can only hope that something comes along to rekindle the interest of the funds in these markets. Ms Rhona O'Connell, analyst at stockbroker T. Hoare & Company, suggests that US speculators, who played such a big part in the big 1993 gold price run-up, are likely to return to the gold market only "on local political grounds, if the administra-US\$2bn of investment. With supply lagging demand, Mr Bielski predicts that the prestion's policies are seen to be ent level of nickel stocks, running out of control, since equivalent to 18 weeks of congold thrives on incompetence

# Joint venturers to go ahead with \$550m Indonesian smelter

By Kenneth Gooding Mining Correspondent

Materials Mitsubishi Corporation of Japan and two
US groups, Freeport McMoRan
Copper & Gold and Fluor Daniel, are joining forces to build and operate a 200,000-tonnes-ayear copper smelter in Indonesia at a cost of US\$550m.

The project was threatened last year by the financial collapse of Metaligesellschaft of Germany, which was leading a previous joint venture. Now Mitsubishi will take 70 per cent, Freeport 20 per cent and Fluor the rest.

The project already has approval by the foreign investment board of Indonesia but remains subject to various definitive agreements among the partners, confirmation of its feasibility, financing and certain Indonesian government approvals.

Each of the partners benefits

from the venture.

The smelter, to be sited at Gresik near the industrial port of Surabaya, East Java, will be the fourth to employ Mitsubishi's continuous copper amelting process, which is both lowcost and environment-friendly.

Mitsubishi will not only manage and operate the smelter but also market all its output. Freeport, 68 per cent owned by Freeport McMoRan, will provide all the smelter's copper

concentrate, estimated to be

600,000 tonnes a year. Fresport is also expanding its recently acquired Rio Tinto Minera smelter at Huelva, Spein and once the Gresik smelter is operating in the second half of 1988, the company will be previding about 1.1m tonnes wi copper concentrates from its rapidly and massively expanding copper-gold mines in Indonesia to these two san ers. This represents about 70 per cent of Freeport's expected

output when its present expension plans are completed.

Fluor, which already is involved in several projects in Indonesia, including mine and mill expansions at the Freeport mines, will be responsible for engineering, procurement and and construction as project

manager. Mitsubishi said it expected the Gresik smelter to be financed by a mixture of non recourse project loans and

There are several other copper smelter projects in the offing, including two proposed new smelters in India, one in Iran and another in Saudi Arabia. Mr Peter Holiands of Bloomsbury Minerals Economics said there were too many smelter expansions and new smelter projects planned. although the recently an nounced closure of Southern Copper's 80,000-tonnes-a-year Port Kembia smelter in Austra-Ha "opens a little space".

#### Kenyan tea 'rotting'

Tea is rotting in key growing areas west of Kenya's Rift Valley because of transport and crop management difficulties, a regional administrator said. reports Reuters from Nairobi.

Analysts said management problems in the vast Kisii area in Nyanza province would probably further reduce total yield for 1994, which was already expected to be down.

sioner of Nyanza province's, said supplies were piling up on many smallholdings, and administrators and the staterun Kenya Tea Develonment Authority were trying to break the logiam.

"We want to sort out conges tion," he said. Assistant energy minister Mr Atebe Marita said KTDA vehicles used to collect tea leaf

were old and often broke down.

`;\*\*\*\*\*\*\*\*\*\* \*\*\*\*

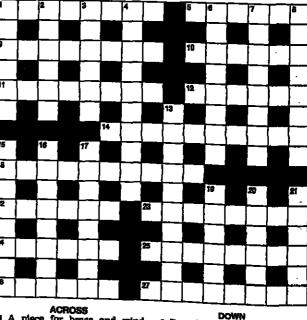
i,t

1,80

Of broking and jobbing the Pelikan's fond. See how sweethy he puts your word onto bond. Selikan 🖰 **JOTTER PAD** 

#### CROSSWORD

No.8,656 Set by DANTE



ACROSS
1 A piece for brass 1 Does it secure tile to shingle? instruments (8) 5 Fresh air and mud has

10 Beast of burden given first aid (6) 11 Possibly relating to the whole 12 A bowed old soldier (6)

14 Flags put out in honour of a brave man (10)
18 Minds leaving the country (5,5)
22 Pole position (6)
23 Pull beneath the waves (8)
24 Filled perhaps, or not filled!

25 Stop and relax with a shower 26 They're written in eastern

and southern states (6)
27 Material not to be made light

3 Loyal toast drunk in hock, presumably (6)
4 About time Peter French found a lodging (4-1-5)
6 Iran says it's uneasy about an ancient neighbour (8)
7 Hibernian leads a machine operator a lively dance (5,8)
8 Travelling doctor to call (8)

13 Still waiting for a formal proposal? (10) 15 A case is essential up in Lincoln (8) 16 Tom's cries of derision (3-5) 17 Whole sternity blown to bits

In turn it's consumed with

(8) 19 Kind of magget (6) 20 Channel without water, we hear (6)
21 Their losses may get round-about compensation (6)

Solution to Saturday's prize puzzle on Saturday January 21. Solution to yesterday's prize puzzle on Monday January 23.

lower after failing to maintain Friday's bullish close. As a weak New York market	SI lo
COMMODITIES PRICES	-
BASE METALS	IE.

M ALUMINAM, 99.7 PURITY IS per torne

London COCOA futures ended

374.0 +1.8 374.2 572.5 95.246 28,330 376.8 +1.7 - 222 - 225 277.7 +1.7 377.8 376.1 15,952 2,792 381.5 +1.5 381.8 379.9 22,813 2,570 385.9 +1.5 - 13,946 1,192 1984.281 37,988 2045-46 Open Int. Total delly turnover 249,734 45,980 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) M ALUMINGUM ALLOY IS per tonn Close Previous 1923-28 1935-45 1975-85 Kerb close PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 2,566 888 158.25 +7.80 158.50 155.10 8,402 157.80 +1.80 158.00 158.65 874 158.50 +1.60 - 143 159.50 +1.80 - 11 ■ LEAD (\$ per tonne 679.5-80.0 Previous High/low AM Official 670-71 680/673 676-75.5 680-1 854-55 SILVER COMEX (100 Troy oz.; Cents/troy oz.) Jani Peb Mari May Jul Sop Total 489.0 474.7 Total dality turnovar MICKEL (S per tonne Close Previous High/low AM Official 9346-50 9390-400 9425/9290 487.2 9135-40 9290-91 58,396 14,501 **ENERGY** E CRUDE OIL NYMEX (42,000 US galls, S/barrel) M TIN (S per tonne 6020-30 Close Previous 6110-20 5995/5990 5990-6000 6100-05 6160/6085 6075-85 6140-50 High/low AM Official Kerb close Open int. 21,569 17.58 Total daily turn 3.954 ■ ZINC, special high grade (\$ pe

1169-70 1164-65 1176/1163

EL COPPER, grade A (S per tont Close Previous 2984-85 2976-77 High/low AM Official Kerto close Open int. Total dally turnover 241,269 57,261 LME Closing E/S rate: 1.5544 Sport 1,5573 3 mths: 1,5589 8 mths: 1,5585 9 mths: 1,5558 M HIGH GRADE COPPER (COME) 140.90 +3.50 140.90 136.80 2,166 139.90 +3.10 139.90 136.85 878 139.05 +2.75 139.20 136.30 30,209 810 10 8,241 954 521 -51,129 10,137 +2.50 +2.30 134.40 131.30 +2.30

1145/1143

1145-46

18,175

AM Official

Kerb clase Open int. Total daily turnover

PRECIOUS METALS TO LONDON BULLION MARKET (Prices supplied by N M Rothschild Gold (Troy cz.) £ equity. 372.80-373.20

372.45-372.85 372.45 372.40 Opening 238.856 239.670 373.00-373.40 371.60-372.00 375.50-376.00 Loco Ldn Mee id Lending Rates (Vs USS)

3 months Sever Fix Spot 471.10 479.00 t year 320,40 497.45 **Gold Coin** & price 372-375 £ equiv. Krugerrand Maple Leaf 383.25-385.70 87-90 56-69

London cocoa futures prices fall back after German demand figure disappoints sure resulting from news of lower-than-expected fourth uarter German bean grind-

7.430

17.51 78.186 47.268 17.50 81,576 31,517 17.52 27,886 12,845 17.54 15,736 2,978

18.41 84.241 18.25 45,577 16.23 16,757 18.22 7,781 16.23 7,388 18.39 5,317

49.00 40,839 17,127 49.05 26,248 10,009 49.05 14,990 2,173 48.00 9,766 3,731 48.85 7,427 611 48.90 7,142 859 127,954 25,477

Open lat

104,085 22,884

4,711 1,886 1,796

866 828

1.445 27.731 13.959

17.68 17.63 17.59 17.59

MI HEATING OIL MYMEX (42,000 US galle.; c/US galle.)

-0.32 49.56 -0.35 49.45 -0.20 49.35 -0.25 49.00 -0.10 48.00

-0.20 49.00

-2.50 144.75 142.50 38,132 -2.75 147.50 145.25 31,441 -3.00 149.00 1467.5 12,440 -2.76 149.00 147.25 5,730 -3.25 150.00 147.50 2,189

LOW

1.476 1.485 1.495 1.470 18,967 1.485 10,912 1.495 10,580 1.520 8,690

MATURAL GAS NYMEX (10,000 mm8tu; \$/mm8tu)

1.470 1.580 1.510 1.510

1.540 1.560

Latest Day's Communication of Communication of Communication Communicati

+0.43 54.49 55.39 20,013 62713 +0.23 55.25 52.70 11.103 62713 - 55.65 55.20 10,010 2,898 - 0.10 54.90 54.50 5,304 1,821 +0.50 - 1,823 37 1 1.88 10

1,923 1,188

Latact D#9'8 price champe 19gh

-0.033

MYMEX (42,000 US galls.; cAUS gels.)

1.460 -0.039

I UNLEADED GASOLINE

-0.03 -0.02

THE CRUIDE OIL IPE (S/Derrol

Latest Cay's price change 18.41 -0.09 18.26 -0.06 18.22 -0.10 18.23 -0.15

49.20 49.30 49.25 46.90

143.00 145.50 147.25

- 34 - 1

484.0 470.5

Precious Metals continued

GOLD COMEX (100 Troy oz.; \$/troy oz.)

ings the March contract fell casts of rain in Brazil had £21 to at £991 a tonne. West African arrivals were ahead of expectations and fore-

eased crop worries, a trader

down to well below 1m tonnes,

Mr Buxton says.

highs in thin volume White SUGAR futures also

sumption, will fall to between

steady but well off the day

rejected all offers at buying

40 79 135

48 82 79 125 145 167

-0.300 -0.360 -0.380

-1 -1.6

-2.75 -1.5 -4.36 -1.00

+2.0

45.0 43.0

173 -

and positively adores chaos".

six and seven weeks by the end

Analysts suggest that the

global economic background

this year looks reasonable for

all metals. Demand for metals

in the past has followed indus-

trial production in the OECD

countries very closely, although, as Mr Pearson at

Hambros points out, the South-

east Asian tigers are becoming an increasingly important fac-

tor. Many analysts are looking

for a healthy increase in OECD

production this year of more

than 3 per cent after one of 46

However, sentiment, so important in the metals mar-

kets, may be unduly, and

per cent in 1994.

COFFEE futures ended fell amid signs that India had Compiled from Reuters Mr Joseph Kaguthi, commis-GRAINS AND OIL SEEDS SOFTS MEAT AND LIVESTOCK M WHEAT LCE (2 per tonne) III COCCA LCE (E/tonnel ■ LIVE CATTLE CME (40,000ths; centa/lbs Sett Day's Open price clange flight Low left Vol 107.20 -0.25 107.50 107.15 338 108.30 -0.45 - 1,904 110.10 -0.40 110.20 110.00 1,914 111.90 -0.50 112.00 111.90 296 97.00 -0.25 - 70 98.45 -0.20 - 1,275 988 38,982 4,238 988 20,515 1,886 73.375 +0.525 73.825 72.925 \$1,980 3.971 73.675 +0.550 74.075 73.325 28,369 2.322 67.625 +0.375 66.100 67.400 8,676 794 682 294 229 842 85.325 +0.325 85.800 85.050 86.000 +0.450 86.175 85.850 86.925 +0.350 87.025 96.575 M WHEAT CET (5,000bu min; cents/80b bushet) -11/2 397/4 -11/0 378/4 -9/0 348/4 -9/0 383/4 -10/0 382/0 383/0 43,420 8,572 383/0 8,815 1,685 333/2 18,651 3,275 344/4 863 47 354/0 337 2 404.9 401.0 119 47 410.0 406.2 19,320 2,577 414.0 411.0 3,226 569 1342 1315 37,541 7,581 1363 1338 14,137 1,823 1375 1358 7,037 146 1400 1385 2,390 95 1427 1415 4,542 11 1320 1342 1362 1365 1415 37.700 +0,800 37.875 37.290 12.352 4.784 Feb Apr Jun Aug Oct Dec Total 39,025 +0.275 38.500 38.500 11,587 44,400 +0.175 44.700 44.225 8,451 44,075 +0.225 44.150 43,780 1,653 41,900 +0.150 42,200 41,750 1,634 41,900 +0,150 42,200 41,750 1,634 142 42,950 +0,250 42,950 42,700 531 52 36,223 8,844 79,841 MAZZE CBT (5,000 bu min; cents/56to bushel) ■ COCOA (ICCO) (SDR\*e/forme) PORK BELLES CME (40,000 lbs; centa/lbs 618 +1/0 233/2 230/6 112,751 18,493 +0/6 240/4 238/2 57,375 3,373 +0/4 246/0 243/6 52,969 3,952 - 249/4 248/0 8,809 471 - 253/0 251/0 36,811 3,108 -0/2 259/4 258/2 3,863 147 Price 1013.97 40,750 -0.725 41,950 40,850 6,752 41.250 -0.475 42.300 41.125 42.225 -0.575 42.406 42.100 43.600 -0.550 44.260 43.100 41.300 -1.050 42.650 41.300 50.000 -0.600 50.800 50.000 1,888 596 788 283 2818 2843 2817 2803 +13 2843 2818 +5 2890 2840 +4 2855 2815 +5 2833 2808 958 182 14,884 1,547 5,848 528 2,376 505 M BARLEY LCE (2 per tonne) Jan Har May Sep Nov 115 287 69 30 79 103.50 -0.25 103.65 103.50 105.50 LONDON TRADED OPTIONS Strike price \$ tonne -0.35 107.65 107.50 COFFEE 'C' CSCE (37,500fbs; cents/fbs) 169.75 -5.20 175.50 168.00 15,696 10,149 207 165 114 30 64 115 100 148 202 179 114 -6.45 178.50 170.00 -4.85 178.55 170.15 -5.00 177.00 171.00 -5.20 177.00 170.00 176.50 170.00 8,900 1,384 176.55 170.15 3,705 365 177.00 171.00 2,227 90 177.00 170.00 2,843 175 # SOYAREANS OF 5 000bit mit: crote/ROb husball COPPER (Grade A) LME

-0/6 551/2 546/2 5,325 5,888 -1/0 551/0 555/6 57,825 19,064 -0/6 570/2 595/4 24,907 3,615 -1/0 578/4 571/4 29,027 4,244 -0/4 578/0 576/4 2,104 43 -0/4 562/2 576/4 2,104 43 548/2 557/4 567/0 573/0 577/0 579/6 175,00 ■ COFFEE (ICO) (LIS cents/pound Prev. day 154,11 149.00 III SOYABEAN CSL CET (60,000lbs: cents/b) MO7 PREMIUM RAW SUGAR LCE (certs/fbs) -0.29 -0.27 15.58 15.75 480 -0.29 -0.29 -0.33 -0.27 1,640 25.20 
 420,30
 -8,70
 428,00
 420,00
 13,686

 417,30
 -8,30
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 401,30
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 401,00
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 371,50
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 -2,30
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 IL SOYABEAN MEAL CBT (100 tons; \$/ton) 1548 +1.1 155.0 154.2 2.076 158.1 +0.9 158.5 157.5 40.243 161.4 +0.7 162.0 161.0 19,285 165.2 +0.5 165.6 164.7 15,218 167.1 +0.4 167.3 186.7 3,967 168.2 +0.6 168.4 168.7 3,104 SUGAR "11" CSCE (112,000libs; cents/fbs) M POTATOES LCE (E/torme 15.45 -0.29 15.61 15.41 63.473 9.638 15.46 -0.30 15.68 15.47 41,313 3,614 14.68 -0.18 15.69 14.92 25.440 759 14.61 -0.14 14.10 13.98 26,129 1,121 13.29 -0.09 13.33 18.25 7.214 518 13.12 -0.08 13.12 18.09 2,141 2 279.8 +29.8 279.8 -5.5 313.5 -250.0 -

FREIGHT (BEFFEX) LCE (\$10/index point) COTTON NYCE (50,0000s; cents/lbs) +5 2070 +5 2080 -3 2070 +3 2010 +7 1780 +13 1790 812 244 178 1,584 443 242 3,843

Tee
There was fairly good demand this week reports the Tea Broker's Association. The few coloury good Squorton Assems on offer sold well at ground last levels but others lost 2 to 4 pence and sometimes more following quality. Plainest types remained firm. Bright East Articaris met less competition and dropped 5 to 10 pence. Coloury mediums initially showed a desirer tendency but closed 4 to 6 pence lower. Mediums were irregular but on balance easier. Ceytons sold well at firm to dearer rates. Good competition. Brighter flouoring types were firm to dearer but others tended easier. Culotations: best available; 160ptig, nom good; Culotations: best available; 160ptig, nom good;

YOLUME DATA

Open interest and Volume data shown for
contracts maded on COMEX, NYMEX, CET.

NYCE, CME, CSCE and IPE Crude Oil are one

103,75 109,15 112,40

INDICES ■ REVIERS (Base: 18/9/31=100)

Jan 6 month ago year ago 2248.4 2176.3 1668.4 E CRB Futures (Base: 1967=100)

99,10 +0.52 89.20 88.05 31,247 3,394 89,05 +0.50 98.15 88.26 14,729 2,107 88.35 +0.50 88.45 87.55 9,622 1,147 79,45 +0.25 79.50 78.15 2,640 393 74.75 +0.30 74.75 74.45 11,144 992 78.35 +0.18 75.30 75.30 215 77 Gold (per troy oz) Silver (per troy oz) Pistinum (per troy oz Paliadium (per troy oz W ORANGE JUICE NYCE (15,000lbs; cents/fbs) Copper (US prod.) Lead (US prod.) Tin (Kusta Lumpur) 142.00 41.50c 16.19m 283.5c 100.00 -6.30 103.95 99.60 433 10 -7.15 109.75 103.50 18,217 -5.00 112.70 108.15 2,411 -5.00 118.30 113.50 1,040 -5.00 118.00 117.25 2,538 -5.00 112.60 112.60 1,806 Tin (New York) Cattle filve weight)† Sheep (tive weight)†\$ Pigs (tive weight) +0.62\* 91,90p 73.34p 150 Lon. day sugar (nav Lon. day sugar (wid Tate & Lyle export \$378.1 Seriey (Eng. feed) Meize (US No.3 Ye Wheet (US Dark North Rubber (Feb)¶ Rubber (Mar)¶ Rubber (KL RSS No1 Jus) 111.50p 402.5m Coconut Oil (Phil)5 \$412.00

III COCOA LCE

1850 1700

BRENT CAUDE IPE

Dubel Brent Bland (dated) Brent Bland (Feb) W.T.L (1pm est)

Premium Gesolins

Heavy Fuel Of

LONDON SPOT MARKETS

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

\$16.87-5.940

\$17.51-7.52u

\$167-169 \$147-149

\$110-112

E CRUDE OIL FOR (per barrel/Feb)

Paim Oil (Malay.)§ Copra (Phil)§ Soyabeana (US) Cotton Outlook'A' Index

#### LONDON STOCK EXCHANGE

SDAY JANUARY TO 1997

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14 PE

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Wall to see

'rotting'

# Dturers to MARKET REPORT th \$550 Corporate features dominate sluggish market an smelte By Terry Byland, UK Stock Markets Editor

The London market remained in the second sec out of steam, put the roots and important company statements, Leading martapter don was on a name of the company statements. Leading market in the company statements. Leading market indices were depressed by a shorn fall in shares of Grand Metro-

prichase of recommendation of the prichase of the higher soon, perhaps at the end of

this month after the Federal rise in US payroll numbers which brokers known to be close watchers reserve Open Market Committee underpinned the performance of the company downgraded profit meets. Late weakness in the US currency brought the US-Japan trade dispute back on to the agenda, but London traders were inclined to wait and see how US markets perform overnight.

The close of business saw the Seac, the market's electronic trad-

Share prices opened steadily on the back of Wall Street's firm response on Friday to the expected

FT-SE 100-share Index finally down 9.2 at 3,055.8. Largely unaffected by the late falls in dollar stocks and in Grand Metropolitan shares, the decline in the wider-ranging FT-SE Mid 250 Index was held to only 2.5 for a closing reading of 3,477.1. ing system, recorded 415.1m shares traded yesterday, compared with 514m on Friday.

UK market ahead of the weekend. The early fall in the Footsie largely reflected a cautious lowering of quotations in Grand Metro-

politan on news of its US deal, and even this was softened by the technical mark-down in GrandMet shares to allow for the dividend payment. The timing of the deal came as a surprise and the stock market was wary of its size. At around one fifth

rate trading, considerations. The board's meeting with City analysts failed to answer some of these concerns and the second half of the session saw the fall in

of GrandMet's market capitalisa-tion, it focused attention on balance

sheet, as well as on purely corpo-

GrandMet shares extended as some

estimates for this year. By the close. GrandMet shares were around 6 per cent off, upset also by dollar weakness.

The setback in GrandMet was balanced to some extent by a gain in BT after it was confirmed that both BT and Viag, of Germany, plan press conferences today. The investment press throughout Europe has been buzzing with suggestions that the two telecommunications groups will announce some form of joint corporate venture, probably simed at competing with Deutsche Telekom, which will be privatised shortly. BT shares also benefited from investor switching into them

from British Gas. Among the domestic, interest rate-related stocks, both properties

resigned. The announcement

came as the market closed, but news that the acting chairman

and the heads of the US and

UK arms were quitting leaked

out around midday. Conse-

quently, the shares weakened

Mr Robert Jolliffe of Hoare

Govett commented; "The resig-nations will be a serious blow

to morale, client relations and

Banks were hit by a press

report that the Labour party

plans to shake up the banking

industry when it returns to

government. The report

revived concern that Labour

might impose a windfall tax on

the banks' profits and gave

investors the opportunity to

take profits ahead of the sec-

tor's reporting season, which

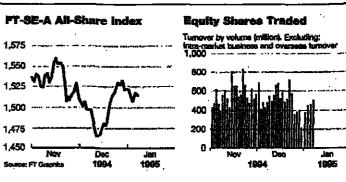
begins with TSB on Thursday.

the stability of the company."

and stores remained out of favour. the latter again paying little heed to Friday's news that consumer borrowing, which had been cautious, had taken off ahead of the Christmas selling season. However, market specialists in the retail sector remain cautious of the outlook for stores sales in an environment in which interest rates are expected to continue rising this year. Turnover in the blue chip retail groups was

The pharmaceutical sector, which of its affinity to the fortunes of the US currency. Traders said that modest support from the US has helped Glaxo and Wellcome.

modest, with the lack of buyers, rather than the appearance of sellers, causing falls in share prices. has been a prime mover of the market over the Christmas period, continued to recover yesterday in spite



#### Key Indicators

ndices and ratios	ı	
T-SE 100	3055.8	-9.2
T-SE MBd 250	3477.1	-2.5
T-SE-A 350	1531.0	-3.8
T-SE-A Ali-Share	1515.59	-3.55
T-SE-A All-Share yield	4.02	(4.01
lest performing a	ectors	

Electronic & Elec . Transport ... +0.5 FT Ordinary Index 2348.0 FT-SE-A Non Fins p/e (17.91) 17.67 FT-SE 100 Fut Dec 3071.0 Long gilt/equity vid ratio: (2.20)Worst performing sectors

#### 1 Sprits, Wines & Cider ... Gas Distribution ... 3 Banks, retall .... Engineering, Vehicels

#### Mary Constant of the Constant **US** deal the the knocks **GrandMet**

The ready wings the state of the Shares in Grand Metropolitan iration of the structure of the structur Arm) to Fort market by surprise with an Mice with the same announcement of a £1.7bn announcement Pet, the US-Stor : Process Part of the slide was attri-

house the build to an 11p dividend payment. However, concerns Down 1 about the timing of the deal

deal should have been made at the begining of the group's accounting year) and its financing, hit sentiment in the NatWest Securities, the

(many suggested such a big

group's broker, downgraded current year profit estimates by £21m to £947m and suggested that the timing of the acquisition meant that it was likely to lead to a dilution in earnings per share in the first year of between 2 and 3 per cent. But it expects benefits in the following year and a significant contribution to earnings after that.

The market was also concerned about the £120m cost of

Friday's near 50-point bounce.

market was roughly in line with

boredom factor, with contract

numbers falling short of 8,000

Dealers complained of a high

(APT)

65552

The premium to the cash

fair value at 14 points.

integrating Pet, while others pointed out that the purchase would once again raise the level of geering sharply.

#### BT/Gas switch

BT and British Gas topped the Footsie activity charts as traders switched out of Gas and into the telecoms giant in advance of today's press conference from BT and possible news of a strategic link-up in Germany. BT rose 51/4 to 393p in 12m turnover, while Gas slipped 5 to 308p in 9.6m shares

> Clearly excited by the conference call, analysts speculated on the possibility of BT

The March contract mostly

drifted lower at the whim of

It touched a high for the

morning, and in the afternoon

the worst of the day of 3,064.

The premium to cash equities

worked up to 25 points at one

neutral territory at just short of

Dealers were at a loss to

The more obvious external

not in noticeably harmful

mood. Once again, the

influences such as the bond

markets and Wall Street were

consensus of opinion came

back to the general lack of

direction in financial markets

explain the flatness of trading.

stage, but mostly it was in

fair value.

generally.

session of 3,091 during the

the local, independent traders.

announcing either a licencing deal or a joint venture with a big German company. Utilities giant Viag was the name on most traders lips yesterday. They saw the move as providing BT with a presence in Germany ahead of full telecoms deregulation in 1998.

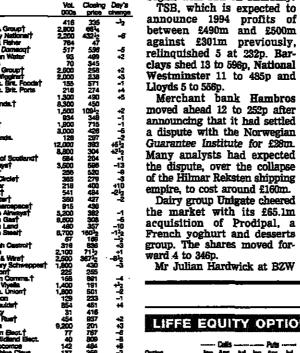
for what would represent BT's first move into a core European country ranged between £200m and £500m.

Best bets on initial outlays

#### Saatchi tumbles

The fortunes of advertising group Saatchi & Saatchi took a turn for the worse yesterday as three senior executives

#### TRADING VOLUME ■ Major Stocks Yesterday



French yoghurt and desserts group. The shares moved for-Mr Julian Hardwick at BZW

LIFFE EQUITY OPTIONS

#### **NEW HIGHS AND** LOWS FOR 1994/95

NEW MICHE (27). BUILDING & CHSTRN (2) Brandon Hire DIVERSERED INDLS (2) Havrin, Stratagom, ELECTRING & BLECT EQUP (4) Corani migues, Karehaw (A), Nobia Corp Pt., Precision, ERF, EXTRACTIVE INDS (3) Angl Amer. Coel, Kerov. Vogels, FOOD PRODUCER (3) Ban (AG), Greencore, Robert Wiseman, INVESTMENT TRUSTS (3) Prebury Smir. Cos.

Zero Pt., Old Mutual SA, Suret, LEISURE &

HOTELS (1) Northern Les. Cv. Db. 196/01, MEDIA (1) Doring Kriderniey. OTHER FRANKIAL (1) EXW Endowment Funz, PHARMACELTICALS (1) Smithsfire Seecham Equity Units, RETAILERS, CENERAL (1) J.JB. Sports, SUPPORT SERVS (1) Real Time Control, WATER (1) South Statis Where. NEW LOWE (108, OLITICALS (1) BANCS, MERCHANT (1) Joseph (1), Bull DING & CASTRIN (3) BB & EA. Countrylide Props., Proving, SLDG MATLS & MCRTS (2) Leisupe Coppes, Remue, Toon, DETRUBLICAES (4) Evens Heisherv, Gerdiner, ISA Int., Perry, DIVERSIFIED INDLS (2) Futch Whrep, Survisey Inde., ELECTRING & SLECT EDUP (1) Kenwood Inds., PLECTRING & ELECT BOUP (1) Kenwood

Inds. ELECTRIC & BLECT EQUP (1) Korwood Appliances. ENGINEERING (6) ML. Rosspur, Wagon Indf., Do 71:p Met Pt. EKTRACTIVE NOS (6) MEALTH CARE (1) Assoc. Mursing Savis. INVESTMENT THAISTS (89) INVESTMENT COMPANIES (2) Inv. Tut. of Guerray, Lein American Extra Valid, MEDIA (2) Mower Corp. Seatchi, Ott. EDPL.DRATION & PROD (2) Copter Res., Vanquard Polm., OTHER PHANCIAL (4) Berry Birch & Noble, First Nett, Pacific & Printing Co 7 po Pt., Swine Pacific, Paper R. PACIGG & PRINTIN (2) Delprin Pack, Sorf, PROPERTY (5) Angle St., Lames, HK Lend. PROPERTY (3) Anglo St. James, HK Land, McKey Secs, RETAILERS, FOOD (1) Nurder &

said: "The acquisition is complementary to the group's UK businesses and should be earn-

ings enhancing." Speculation remains that Unigate will soon announce the sale of its 32 per cent stake in Nutricia, the Dutch food group, and analysts said such a would help with payment for the deal.

A lacklustre statement from food manufacturing group

Henson 240 8 13 17½ 5 10 14 (\*242 ) 250 1 5½ 9 18½ 22½ 26½ Lesemb 140 7 13 16 3½ 8 9 (\*143 ) 160 14 5 715 17½ 20 20½ Lucas India 180 19 24 28½ 1½ 5½ 8 (\*196 ) 200 6 12½ 18% 8½ 1½ 14 17

P & 0 550 44% 52% 52% 3 15% 24% (°557 ) 600 13 23% 37 21% 41 50 Philogodon 160 8 13% 17% 3% 6 9% (°163 ) 180 1 4% 5% 17 18 21 Prudential 300 13% 19% 25% 5% 15% 19 (°307 ) 330 3% 7 13 24 35 37%

#### Hillsdown left the shares trailing 4 at 179p.

A trading statement from Tarmac left the shares 2% lower at 116%p with marketmakers focusing on what the group had to say about house completions. These are going to fall short of 6,300 this year against half-time forecasts of 6.500.

Housing accounts for some 40 per cent of group operating earnings. The shares have underperformed the All Share index by 30 per cent over the past year and 8 per cent on a three-month view, and at least one analyst is close to the point where buy recommendations may be triggered.

Elsewhere among construction shares Redland added 1 to 468p following a profits upgrade from Hoare Govett while Norcros and Spring Ram were heavily traded.

A clutch of negative brokers' notes hit several stocks in the property sector. One, from James Capel, said the short-term outlook is uninspiring, with the prospect of interest rate increases, sporadic rental recovery, and weakening demand from UK institutions.

The agency broker advised investors to sell Land Securities, which fell 6 to 580p, British Land which relinquished 10 to 357p, and Hammerson a penny lower at 336p.

Willis Corroon improved 4 to 147p as NatWest Securities recmended the insurance bro-

ker at its morning meeting.

ing US buying as the principal support. SmithKline Beecham received additional help from UBS, which reiterated its buy stance, and the shares advanced 8 to 472p. Zeneca, which is Lehman Brothers' key UK pharmaceutical recommendation, appreciated 8 to 878p.

Wellcome 10 to 697p. Burmah Castrol improved 3 to 836p with some suggestions creeping into the market that it might be poised to sell part of its speciality chemicals division.

Glaxo moved up 15 to 686p and

engineering counters with GKN falling 14 to 561p for a decline since the middle of last week of almost 5 per cent. Volume was modest at 1.6m shares and even less at TI Group which tumbled 16 to 357p following a sell recommendation from BZW. There was said to have been a certain amount of switching out of TI into Smiths Industries which put on 7 to

Simon Engineering fell 7 to 79p following news of extra reorganisation provisions.

Satellite broadcaster BSkyB emerged from its share stabilisation period on a steady note despite the concern from some analysts that the shares could fall sharply. There was support from a Morgan Stanley recommendation and the shares lifted 2 to 248n.

**MARKET REPORTERS:** Peter John, Joel Kibazo. Jeffrey Brown.

■ Other statistics, Page 22

#### EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a disappointing session, slipping lower in very thin trading and failing miserably to build on Friday's absorbing upward surge, writes Jeffrey Brown.

At the close of pit trading the FT-SE 100 March contract

and genuine two-way business was at 3,071, a 20-point fall very thin on the ground. There which contrasted starkly with was no real weight of seiling. # FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point . Open Sett price Change High Low 3082.0 3090.0 3080.0 3071.0 3084.5

West Marine 8604 Association 340 Sep -20.0 -19.0 Africa Victorial THE ...... I FT-SE MED 250 INDEX FUTURES (LIFFE) 210 per full index point With the same and Mar

E FT-SE 100 INDEX OPTION (LIFFE) ('3436) £10 per full index point Calls 3,736 Pub

> ME EURO ST 186<sup>1</sup>2 1 265<sup>1</sup>2 217 2

Est vol Open int.

Options also had a duli session, with activity slipping to 24,491, down almost 10,000 from Friday. Call and put trading was fairly evenly matched and FT-SE and Euro FT-SE business accounted for just short of 12,000 lots. BT was the most active stock

TYLE FT-8E 100 INDEX OPTION (LIFFE) \$10 per full index point		
75 2925 2975 2025 3075 3125 3175 1 <sup>1</sup> 2 128 3 23 8 54 <sup>1</sup> 2 20 28 41 9 73 <sup>1</sup> 2 1 <sup>1</sup> 2 6 <sup>1</sup> 2 10 183 <sup>1</sup> 2 17 <sup>1</sup> 2 125 29 92 45 83 <sup>1</sup> 2 68 <sup>1</sup> 2 41 83 <sup>1</sup> 2 25 127 1 23 <sup>1</sup> 2 173 <sup>1</sup> 2 34 111 65 <sup>1</sup> 2 63 <sup>1</sup> 2 71 <sup>2</sup> 2 60 <sup>1</sup> 2 114 42 145 2 232 77 77 171 113	3225 1 165 14 166 28 180 78 <sup>1</sup> <sub>2</sub> 215 19 <sup>1</sup> <sub>2</sub> 233 <sup>1</sup> <sub>2</sub>	
SE Actuaries Share Indices		

The UK Series   The UK Serie	Long deted wiplry months.				_							
Jan 8   chge**  Jan 8   Jan 5   Jan 4   ago   yield%   yield%   ratio   yield   Return	FT - SE Actuaries	Share In	dices							he U	K Se	eries
7-8E Mid: 250 ex lw Trusts 3485.9 3473.1 485.1 3479.0 3485.7 3996.0 3.78 6.72 17.88 2.82 1312.49 7-8E-A 350 Higher Yield 1559.0 -0.1 1581.8 1584.5 152.9 1722.6 4.08 7.03 16.84 1.01 1198.94 7-8E-A 350 Lower Yield 1559.0 -0.1 1581.8 1544.5 1562.9 178.8 3.05 6.55 17.57 0.58 99.01 7-8E-A 350 Lower Yield 1502.7 -0.3 1507.9 1488.2 1508		Jan 8		Jan 6	Jan 5	Jan 4						
7-8E Mid 250 ex liw Trusts 3485.9 3497.1 3479.0 3485.7 3996.0 3.78 6.72 17.88 2.82 1312.49 1-8E-A 350 Higher Yield 1550.0 -0.1 1561.3 1544.5 1563.2 1746.8 5.10 7.50 15.84 1.01 1196.94 1-8E-A 350 Lower Yield 1502.7 -0.3 1507.9 1498.2 1506.2 1655.8 3.05 6.55 17.87 0.58 990.81 1-8E 8meliCap ex liw Trusts 1720.46 1516.99 -0.1 1745.58 1745.58 1747.31 1930.79 3.21 6.30 19.44 0.81 1363.88 1-8E 8meliCap ex liw Trusts 1720.46 1792.47 1792.48 1792.48 1792.49 1792.48 1792.49 1792.48 1792.49 1792.48 1792.49 17	T-SE 100	3055.8	-0.3	3065.0	9032.3	3051.6	3440.6	4.22	7,27	16.25	1.93	1167.43
T-8E-A 350 Higher Yield 1550.0 -0.2 1534.8 1521.5 1529.9 1722.6 4.08 7.03 16.84 1.01 1196.94 1-8E-A 350 Higher Yield 1550.0 -0.1 1551.3 1544.5 1553.2 1746.8 5.10 7.50 15.94 1.45 1001.91 1-8E-A 350 Lower Yield 1502.7 -0.3 1507.9 1498.2 1506.2 1655.8 3.05 6.55 17.87 0.58 990.81 1-8E 8meilCap 1744.09 -0.1 1745.88 1745.58 1747.31 1930.79 3.21 8.30 19.44 0.21 1363.86 1-8E 8meilCap ex inv Trusts 1720.46 1720.40 1718.31 1718.06 1894.79 3.51 7.05 17.57 0.88 1350.00 1-8E-A ALL-SHARE 1518.69 -0.2 1519.14 1507.07 1514.80 1703.64 4.02 6.97 17.02 0.98 1204.98 I FT-SE Actuaries All-Share	7-8E Mid 250	3477.1	-0.1	3479.8	3473.3	3482.1	3901.4	3.63	6.22	19.19	2.61	1311,03
T-SE-A 350 Higher Yield 1569.0 -0.1 1581.2 1544.5 1553.2 1746.8 5.10 7.50 15.94 1.45 1001.91 17-8E-A 350 Lover Yield 1502.7 -0.3 1507.9 1488.2 1508.2 1655.8 3.05 6.55 17.57 0.58 90.91 1749.09 1744.09 -0.1 1745.88 1745.86 1745.58 1745.58 1745.31 1930.79 3.21 8.30 18.30 18.40 18.4 1363.86 1745.91 1930.79 3.21 8.30 18.40 18.4 1.45 1363.86 1745.91 1930.79 3.21 8.30 18.40 18.4 1363.86 1363.86 1745.91 1930.79 3.21 8.30 18.4 1363.86 1363.86 1745.91 1930.79 3.21 8.30 17.57 0.58 1363.00 1749.86 1745.86 174	T-8E Mid 250 ex Inv Truets	3485.9		3487,1	3479.0	3485.7	3896.0	3.78	6.72	17.68	2.62	1312,49
7-8E-A 380 Lower Yield 1502.7 -0.3 1507.9 1498.2 1508.2 1855.8 3.05 6.55 17.87 0.58 990.81 1-8E 8meilCap 1744.09 -0.1 1745.88 1745.58 1747.31 1930.79 3.31 6.30 19.44 0.81 1363.88 17-8E 8meilCap ex inv Trusts 1720.48 1720.40 1718.31 1719.06 1894.79 3.51 7.05 17.57 0.88 1350.00 1-3E-A ALL-SHARE 1515.59 -0.2 1519.14 1507.07 1514.80 1703.84 4.02 6.97 17.02 0.88 1204.98 1FT-SE Actuaries All-Share Day's Year Div. Earn P/E Xd adj. Total	T-82-A 350	1531.0	-0.2	1534.8	1521.5	1529.9	1722.6	4.08	7.03	16.84	1.01	1198,94
T-SE-A 880 Lower Yield 1502.7 -0.3 1507.9 1498.2 1506.2 1855.8 3.05 6.55 17.87 0.58 990.81 1-82 SmallCap 1744.09 -0.1 1745.88 1745.58 1747.31 1930.79 3.21 6.30 19.44 0.81 1363.88 17-82 SmallCap ex inv Trusts 1720.48 1720.40 1718.31 1719.06 1894.79 3.51 7.05 17.57 0.88 1350.00 1-36-A ALL-SHARE 1515.59 -0.2 1519.14 1507.07 1514.80 1703.84 4.02 6.97 17.02 0.88 1204.98 1 FT-SE Actuaries All-Share Day's Year Div. Earn P/E Xd adj. Total	T-SE-A 380 Higher Yield	1559.0	-0.1	1581.2	1544.5	1553.2	1746.8	5.10	7.50	15.94	1.45	1001.91
7-8E 8meilCap 1744.09 -0.1 1745.68 1745.58 1747.31 1930.79 3.31 6.30 19.44 0.81 1363.88 7-8E 8meilCap ex inv Trusts 1720.46 1720.40 1718.31 1719.08 1884.79 3.51 7.05 17.57 0.88 1950.00 7-8E-A ALL-SHARE 1720.48 1756.89 -0.2 1519.14 1507.07 1514.80 1703.84 4.02 6.97 17.02 0.98 1204.98 1 FT-SE Actuaries All-Share  Dey's Year Div. Earn P/E Xd adj. Total		1502.7	-0.3	1507.9	1498.2	1506.2	1655.8	3.05	6.55	17.87	0.58	990.91
7-82 SmallCap ex Inv Trusts 1720.46		1744.09	-0.1	1745.68	1745.58	1747.31	1930:79	3.31	6.30	19.44	0.81	1363.86
T-SEA ALL-SHARE 1515.69 -0.2 1519.14 1507.07 1514.80 1703.64 4.02 6.97 17.02 0.98 1204.98 I FT-SE Actuaries All-Share Dey's Year Div. Earn P/E Xd adj. Total				1720.40	1718.31	1719.08	1884.78	3.51	7.05	17.57	0.88	1350.00
FT-SE Actuaries All-Share Dey's Year Div. Earn P/E Xd adj. Total										17.02	0.98	
Dey's Year Div. Earn P/E Xd adj. Total	•		. –		••							
		. —	Day's				Year	Div.	Eem	P/E	Xd adj.	Total
Jan 8 chge#6 Jan 6 Jan 4 ago yield% yield% natio yid Return		Jan 8		Jen 6	Jan 5	Jen 4	EQC	yleid%	yleki?6	ratio	yttd	Return

					,				
10 MINERAL EXTRACTIONIZE	2885,58	-0.5 2679.31 2657.	59 2668.02	2627.74	3.53	5.08	24.87	0.00	1078.1
12 Extractive inclustries(7)	3851.75	-0.5 3889.19 3859.	27 3723.58	3901.49	3.32	5.33	23.20	0.00	1007,6
15 Off, Integrated(S) ···	2653.02	-0.6 2668,72 2642	78 2845.56	2550.04	3,67	5.88	22.00	0.00	1095,5
16 Oli Exploration & Prod(15)	1872.07	+0.2 1868.93 1862			2.61	#	±	0.00	1083,1
	_	-0.1 1837.00 1820			4.24	5.79	20.66	0.21	944.1
20 GEN INDUSTRIALS(279).	1835.31						20.81		759.3
21 Building & Construction(38)	961.66	-0.3 964.73 961				6.35		0.00	
22 Building Matte & Merche(32)	1761.67	-0.3 1788.77 1748				6.16	19.58	0.00	838.4
23 Chemicala(23)	2254.08	-0.3 2260.68 2248			4.19	4.82	25,77	0.50	1007.
24 Diversified Inclustrials(18)	1795.29	+0.2 1790.85 1752			5.22	6.34	18.20	0.00	929,5
25 Bectronio & Elect Equip(36)	1880.85	+0.8 1865.95 1842.			4.03	6.81	17.49	0.71	829,7
26 Engineering(72)	1775.03	-0.7 1786.60 1786.			3.40	5.51	21.32	0.47	1023.4
27 Engineering, Vehicles(15)	2125.85	-1.0 2147.99 2155.			4,70	1.61	80.00†	0.00	1040.0
28 Paper, Policy & Printing(26)	2734.79	+0.2 2730.61 2718.			3.21	5.89	19.68	0.00	1082.0
29 Textiles & Appendi(21)	1523. <u>1</u> 2_	+0.2 1520.36 1527.	<u>60 1524.08</u>	1905.42	4.44_	<u>6.44</u>	20.17	0.00	872,0
30 CONSUMER GOODSIGG	2811.97	+0.1 2809.50 2770.	20 2788 S4	3030.87	4.29	7.22	16.10	6.12	979.5
31 Breweries(18)	2195.81	-0.5 2207.28 2186				8.14			1005
32 Spirits, Wines & Ciclere(10)	2653.46	-2.7 2727.56 2689.			4.30	7.17	16.12		905.6
	2317.84	-2.1 2721.00 2008. -0.1 2319.73 2298.			4.22	7.58	15.66	0.00	988.0
33 Food Producers(RS)	2376.01	2976.63 2373			3.74	7.49	18.07	0.00	880.7
34 Household Goods(10)	1579.77	+0.3 1575.29 1570			3.16	3.40	41.40	0.00	922
35 Health Care(18)	3341.74	+1.8 3283.84 3225.			4.03	6.43	18.00	0.00	1071.
37 Phermaceuticals(15)		+0.1 3747.58 3677.			5.73	9.71	11.24	0.00	B66.3
38 Tobacco(2)	3749.73								
40 SERVICES(232)	1884.32	-0,2 1888,58 1872.			3.32	7.05	16.93	1.36	934,5
41 Distributors(32)	2493.07	2492,21 2484.			3.75	12.44	9.73	0.00	871.1
42 Lejaure & Hotele(26)	2116.82	-0,1 2118.18 2092	25 2112,54	2228.51	3.35	5.30	21.98	6.98	1053.
43 Maria(43)	2747.26	-0.7 2786,42 2774.	03 2783.69	3048.84	2.56	5.60	19.64	1.76	957.1
44 Registers, Food(16)	1750.22	1749.79 1726.			3.76	9.11	13.47	0.00	1056.
45 Retaliere, General(45)	1567.58	-0.7 1579.40 1561.			3.41	7,41	16.74	0.70	853,5
48 Support Services(38)	1490.08	+0,6 1481.51 1473.			2.82	6.39	18.42	0.30	912.7
49 Transport(21)	2252.02	+0.5 2240.13 2210.			3,78	6.26	18.83	0.00	889.4
51 Other Services & Business(8)	1250.20	+0.2 1248.18 1248.	<u>54_1242.97</u>	1229,58	3 <u>.49</u>	3.60	37.76	2.82	1087.
60 UTRLITIES(SZ)	2396.51	-0.1 2398.63 2384	04 2399 33	2680.07	4.47	7.80	15.61	0.77	B41.8
62 Beatricky(17)	2524.90	-0.2 2530.86 2528.			3.86	9.96	11.97	0.00	1071.9
84 Gae Distribution(2)	2039.74	-1.5 2071.10 2048.			5.87	<del>-</del>	İ	0.00	95B.0
86 Telecommunications(5)	1988.16	+0.4 1978.15 1961.			4.11	7.52	18.25	0.00	861.9
68 Water(13)	1770.10	+0.3 1785.03 1786.			5.85	13.86	7.85	4.62	902.5
									1176.4
86 NON-FENANCIAL 8(867)	1845.78	-0.1 1647.89 1632.			3,99	6.69	17.87	1.27	
70 FENANCIALS(119)	-2104.00	-0,7 2119.55 2114.			4,57	9.59	12.12	0.04	B40.0
71 Senks, Retail®)	2774.21	-1.2 2807.04 2804.			4,38	10.32	11.09	6.00	635,4
72 Banks, Merchantis	2027.21	-0.3 2935.21 2945.	36 2964,10	3479,44	3.80	9.53	12.25	9.00	889,0
73 Insurunce(27)	1157.88	+0.1 1155.87 1140.			5.40	10.18	11.21	80,0	800,2
74 Life Assurance(S)	2299.58	-0.3 2305.84 2287.			5.56	8.10	15.05	0.00	889,9
77 Other Financial(23)	1851.39	1850.90 1848.			4.02	7.68	15.53	0.45	1000,4
79 Property(46)	1388.34	-0.6 1376.41 1381.			4.39	7.77	16,12	0,00	793.9
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SO INVESTMENT TRUSTS(135)	2645.34	-0.5 2655.57 2664.			2.35	2.04	49.08	1,40	893,5
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#### LONDON EQUITIES

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FINANCIAL TIMES EQUITY INDICES

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BUILDING MATS. & MERCHANTS - Cont

55 Mat (2025) (107 40.5) (107 40.5) (107 40.5) (107 40.5) (107 40.5) (107 20. | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 YIG Grs P/E 4.0 17.5 8.6 13.8 2.4 24.0 2.8 16.5 5.3 7.1 710 615 1.8 5.9 5.5 5.5 5.5 5.7 4.8 1.8 1.8 2.7 MC: Caption 3.88 28.4 839.1 170.1 81.7 4,861 1480 PHO 981/2 (166 M) 225 (167 M) 252 (167 M) 252 (167 M) 253 (167 M) lon C 41-149 157 263 108 1591 1591 \$4396135M23883818 | The color of the EXTRACTIVE INDUSTRIES CHEMICALS | 1994年 | 19 180 Certify 180 Ce AGA SKY | Notes | AGA SKY | Notes | AGA SKY | Banks, retail 5.1 - Interest Brown III Sep 42 40

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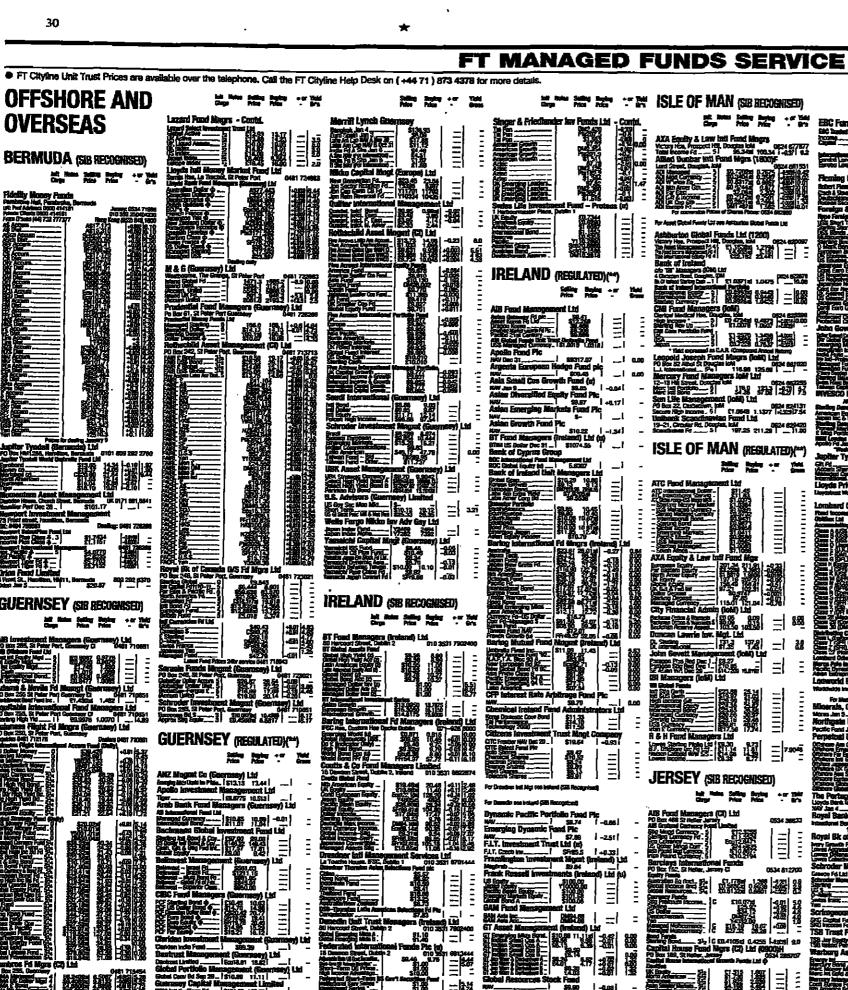
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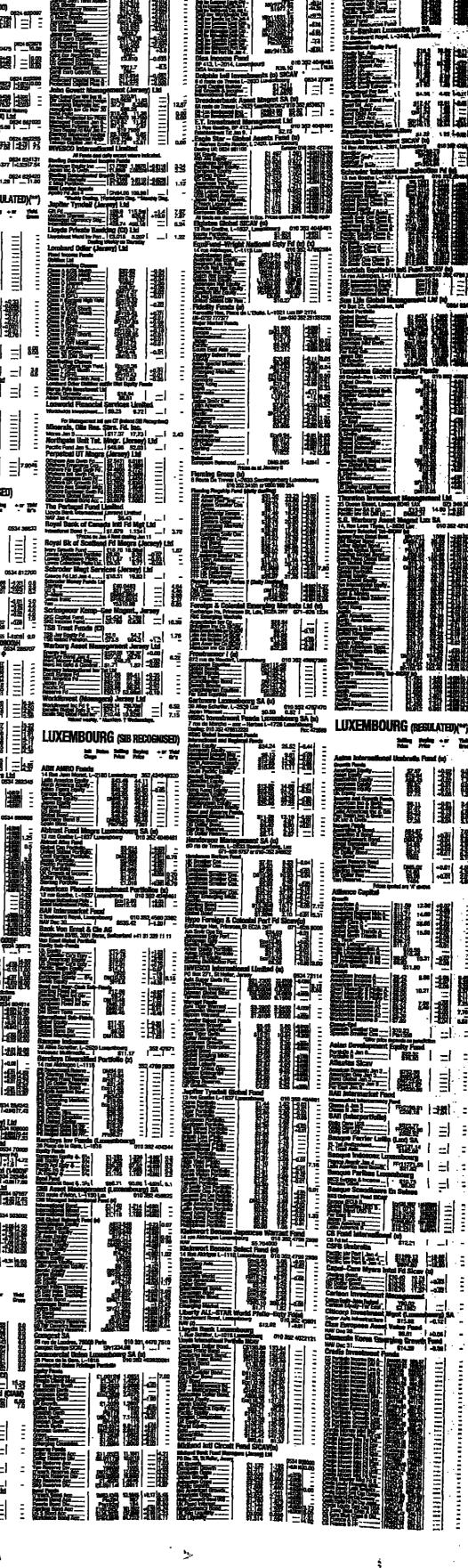
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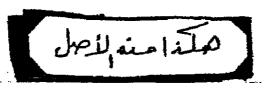
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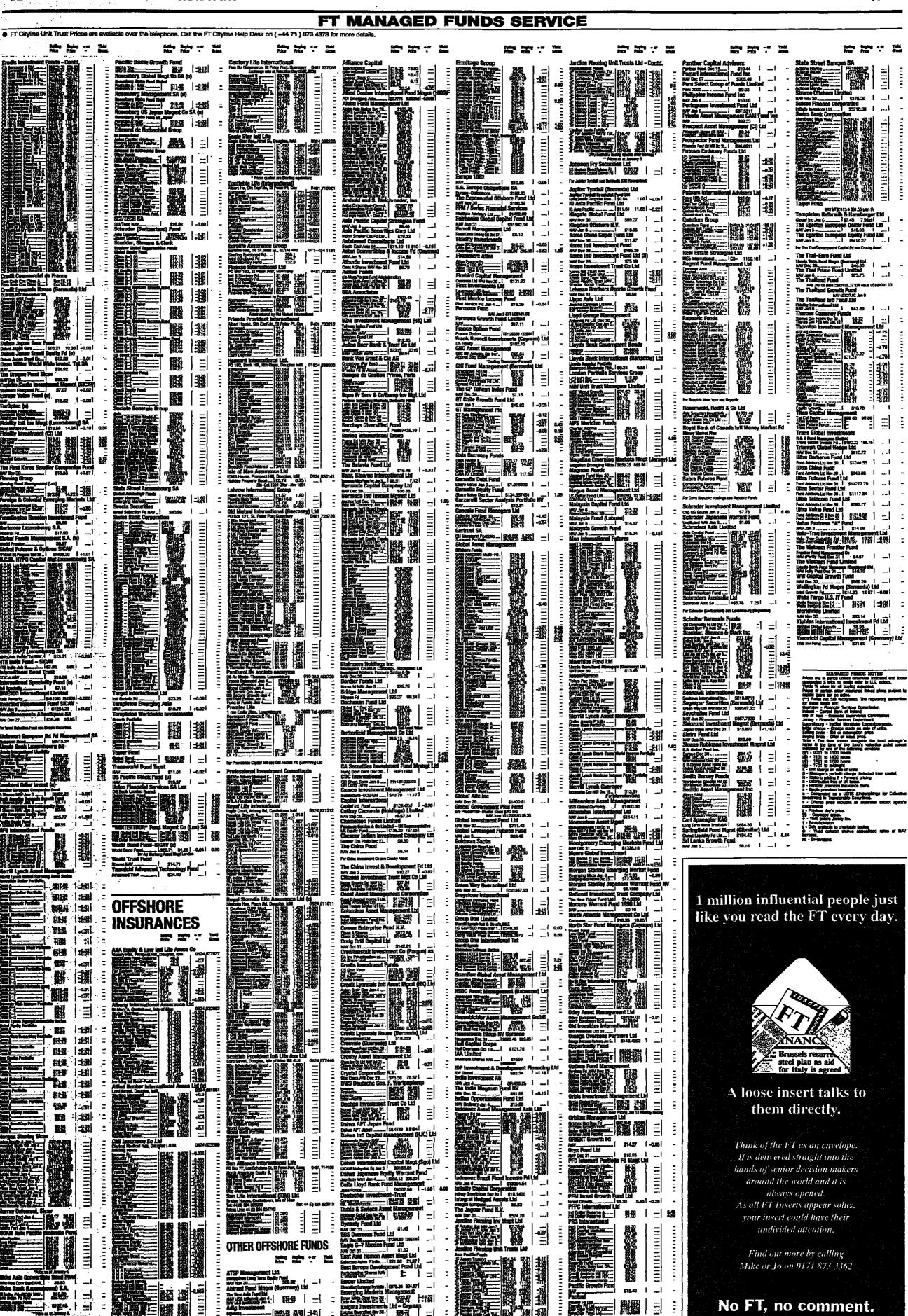




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WORLD INTEREST RATES

January 6

#### CURRENCIES AND MONEY

#### **MARKETS REPORT**

# Dollar drops on inflation and trade worries

assertive comments from US Officials, unites Motoko Rich

Analysts said the markets were also particularly anxious in advance of today's producer price index and tomorrow's consumer price index, which are expected to give a further indication of the timing and extent of the US Federal Reserve's next interest rate

In London, the dollar ended at DM1.5539 against the D-Mark, from DM1.5575 and at Y100.8150 against the yen, from

The D-Mark strengthened across the European crosses as political uncertainty in Spain the lira to new lows against the German currency.

Against the D-Mark, the peseta finished at Pta86.17, from Pta85.8944, and the lira finished at L1049, from

The dollar fell against the yen and the D-Mark following ambassador to Japan, said the Observers said remarks from US was near an agreement with Japan on financial services and said auto industry trade talks would begin this

> Clarifying the ground rules for Wednesday's summit between US President Bill Clinton and Japanese Prime Minister Tomiichi Murayama, Mr Mondale said: "If it becomes essential we have made it clear to the Japanese that we will

use sanctions."
Analysts said such strong talk from a US official would usually be dollar supportive. In late trading, however, the dol-lar dropped more than two pfennigs against the D-Mark to DM1.5322 and temporarily breached the key psychological

----Latest---

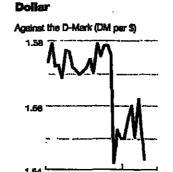
Mr Jeffrey Garten, undersecretary for international trade at the US Commerce department, that the US trade deficit for 1994 would be around \$110bn, unsettled the

market.

Mr Michael Burke, economist at Citibank, said investors were jittery in advance of this week's inflation indicators. He said: "The market starting to say 'where's the beef?' on inflation. Right now the markets are in a schizophrenic mood, not knowing whether the Fed is fighting a phantom or whether the Fed has not done enough to fight real inflation."

The dollar was also affected by the Federal Reserve's purchase of pesos for dollars at the request of Banco de Mexico, although analysts said the volumes were very light.

Against the dollar, the Mexican peso closed at 5.15 pesos to from this safe haven factor the dollar, from 5.52 pesos pre-



Mr Avinash Persaud, currency strategist at JP Morgan, said: "It is a soaring D-Mark rather than a plummeting dol-lar." He said investors were fleeing the dollar for the safety

of the D-Mark.

Dec 1994

■ The D-Mark was benefitting against most of the European

currencies.
As Italian president Mr

Oscar Luigi Scalfaro began a meeting with outgoing prime minister Silvio Berlusconi, the lira was further hurt by rumours that Standard & Poor's Corporation, the credit rating agency, would soon be downgrading the Italian debt

After the close of London trading, the lira fell to L1053.75 against the D-Mark, from a previous low of L1050.10.

The peseta slipped further against the D-Mark as political worries in Spain rolled on. The peseta was trading at PtaS6.58 against the D-Mark after the close of London trading.

The markets pushed the Swedish currency down against the D-Mark, in advance of today's announcement of Sweden's budget, with investors expecting fiscal retrenchment and a large deficit projec-

The Swedish krona closed in London at SKr4.841 against the

#### D-Mark from SKr4.8307.

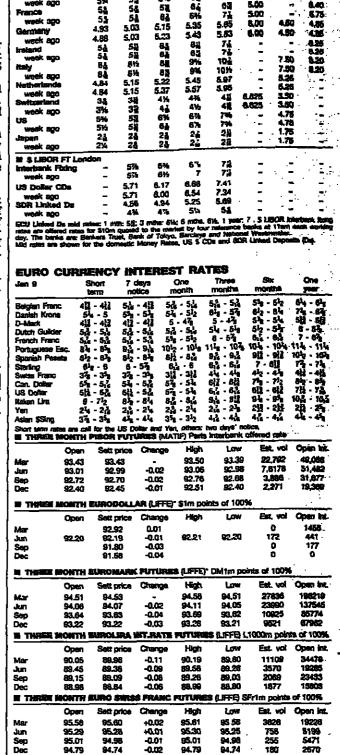
■ Sterling followed the dollar down against the D-Mark, but strengthened against the US

Against the D-Mark, it closed at DM2.4154 from DM2.4194. Against the dollar, it finished at \$1.5545, from \$1.5535.

After the close of European trading, the pound crept below DM2.40 against the D-Mark and traded above \$1.56 against the US currency.

■ In its daily money market operations, the Bank of England provided liquidity of £85m at established rates after forecasting a shortage of £700m. It provided late assis-tance of £145m.

Jan 9	<u> </u>	\$
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las -	2717.27 - 2720.38	1748.00 - 1750.00
Kovat	0.4859 - 0.4570	0.2998 - 0.3004
Poland	3,8709 - 3,8183	24520 · 24560
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UAE	5,7080 - 5,7108	3,6726 - 3,6731



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Belgium	(BFn	32,0015	-0.0585	870 - 160	32,1610	31.9870	31,9815	0.7	31.9165	1.1	31.5965	1.3	106.
Denmark	(DKr)	6.1125	-0.008	110 - 140	6.1443	5.1100	6.1132	-0.1	6.115	-0.2	6.0995	0.2	105
Finland	(FM)	4.7941	+0.0303	903 - 978	4.8169	4,7767	4,7918	0.6	4.7871	0.6	4.7666	0.6	83.
France	(FFr)	5,3659	-0.0094	653 • 665	5.3995	5.3650	5,3652	0.2	5,3611	0.4	5.3259	0.7	106.
Germany	(CD)	1.5539		536 - 541	1.5835	1.5535	1.5527	0.9	1.5491	1.2	1.5272	1.7	107
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SORT	-	1.4354/	•	-	-	•	•	-	•	-	•	-	
mericas													
	(Peso)	1.0003		002 - 003	1.0015	1.0003	•	-	-	-	-	-	
Brazil .	(FU)	0.8450		440 - 460	0.8460	0.8410					<b>-</b>		
Canada	(CS)	1.4053		050 - 055	1.4057	1.3993	1,4054	0.0	1.4067	-0.4	1,4149	-0.7	81.
	Peso)	5.1500	-0.37	500 - 500	5.5500	5.0500	5.151	-0.2	5.1528	-0.2	5.1602	-02	
JSA	(3)	-	-	-	-	-	-	-	-	-	-	•	97.
Pacific/Middle		<b>úrica</b>											
ustralia	(AS)	1.3104	+0.0053	099 - 108	1,3115	1.3055	1.3112	-0.7	1.313	-0.8	1.3257	-1.2	91.
iong Kong	(HKS)	7.7560		555 - 565		7.7545	7.754	0.3	7.7528	0.2	7.7605	-0.1	
ndia	(Rs)	31.3700	+0.0025	675 - 725	31,3725	31.3675	31,44	-27	31,585	-2.7		-	
lepan	m	100.815	-0.48	790 - 840	101.350	100.750	100.485	3.9	99.815	4.0	96.06	4.7	147.
/alaysia	(MS)	2.5528	+0.0013	524 - 531	2.5541	2.5520	2.5497	1.4	2.5453	1.2	2.5733	-0.8	
lew Zestand	(NCS)	1.5701	+0.0005	689 - 713	1.5773	1.5681	1.571	-0.7	1.5735	-0.9	1,5825	-0.8	
	(Peto)	24.5000	+0.02	000 - 000	24,5500		-	-			-	-	
eudi Arabia	(SR)	3.7510	-0.0004	507 - 512		3.7507	3,7546	-1.1	3.7615	-1.1	3.776	-0.7	
Ingapore	(SS)	1.4522	•.•-	517 - 527	1.4535	1.4517	1.4507	1.3	1.4472	1.4	1.4307	1.5	
Africa (Cons.)	(75)	3.5528		520 - 535	3.5640	3.5520	3.5683	-52	3,6004	-5.4	3.7653	-6.0	
Africa (Fin.)	950	4.0800		700 - 900	4.0900	4.0700	4.108	-82	4.1525	-7.1	4.39	-7.6	
outh Koma	(noVA)	791.950		900 - 000	792,200		794.95	-0.2 -3.5	798.45	-33	B16.95	-32	
awan	(EEI)	26.3655		635 - 675	26.3675		26,3855	-0.9	26.4255	-0.9	D1033	-32	
hallend	(150	25.1500		400 - 600		25.1400		-1.4	25.2705	-19	25.675	-2.1	
SDR rate for Jan of are implied by													

	SHATE				ES													
	nge Cf		RATES DKr		Pel.	te.			MV.	F-		<b>~</b> -	OF-				u.	
Dec		BFr		# <del>P</del>	DBI	E	<u>L</u>	<u></u>	NKr_	<u> </u>	Pta	SKr	SFr	<u> 2</u>	_C\$	\$	<u>Y</u>	Ecq
elgium enmerk	(BFr) (DKr)	100 52,35	19.10 10		4.855 2.542	2.033 1.064	5094 2867	5.444 2.850	21.21 11.10	499.6 261.6	418.4 219.0	23.50	4.073 2.132	2.010 1.053	4.391 2.299	3.124 1.636	315.0 184.9	
SINCE	(FFr)	59.83	11.39		2.895	1.212	3038	3.247	12.65	297.9	249.5	14.02	2429	1,199	2.618	1,863	187.9	
оппану	(DM)	20,60	3.934	3.454	1	0.419	1049	1.121	4,389	102.9	86.17	4.841	0.839	0.414	0.904	0.643	64.89	
eland	(05)	49.20	9.398	8.250	2.369	1	2506	2.679	10.44	245.8	205.8	11,56	2.004	0,989	2.160	1.537	155.0	1,2
ely .	(4)	1.963	0.375		0.095	0.040	100.	0.107	0.416	9.807	8.212	0.481	0.080	0.039	0.096	0.061	6.184	0.0
ethertend:		18.37	3.508		0.892	0.373	935,7	1	3.896	91.77	76.85	4.317	0.748	0,369	0.606	0.574	57.87	0.4
orway	(NKr)	47.15	9.008		2.289	0.958	2402	2.567	10	235.5	197.3	11.08	1.920	0,948	2.070	1.473	148.5	1.2
ortugal	(Es)	20.02	3.823		0.972	0.407	1020	1.090	4.245	100.	83.74	4.704	0.815	0,402	0.879	0.625	63.06	0.5
pelo weden	(Pta) (SKA	23.90 42.55	4.588		1.160 2.066	0.486	1218 2168	1.301	5.070	119.4 212.6	100.	5.617	0.974	0.481	1.049	0.747	75.30	0.6
woudn witzerland		24.55	8.127 4.690		1.192	0.499	1251	2,317 1,337	9.025 5.207	122.7	178.0 102.7	10 6.770	1.733 1	0.855 0.494	1.868 1.078	1.329 0.787	134.0 77.34	1.0 0.6
K	(S)	49.74	9.501		2.415	1.011	2534	2.708	10.55	248.5	208.1	11.69	2.026	1	2.184	1.554	156.7	1.2
anada	(CŠŠ)	22.77	4.350		1,106	0.463	1160	1,240	4.831	113.8	95.28	5.353	0.928	0.458	1	0.712	71.75	0.5
s	(8)	32.01	6.114		1.554	0.651	1631	1.743	6.789	159,9	133.9	7.523	1.304	0,644	1,405	1	100,8	0.8
apen	(A)	31.74	5.063		1.541	0.645	1617	1,728	6,733	158.6	132.8	7.460	1.293	0.638	1.394	0.892	100.	0.8
Cti	4, Franch Fran	39.13	7.475		1.900	0.795	1994	2,131	8.301	195.5	163.7	9.197	1.594	0.767	1.718	1.223	123.3	1
in .	Open 0.6411 0.6458	Latest 0.6436 0.6461 0.6463	Change +0.0029 +0.0026 -0.0055	High 0.6438 0.6461 -		111	35. vol 43,306 35 2	Open Int. 74,791 1,982 146	Mar Jun Sep		0.9941 1.0103	0.9982 1.0105 1.0182	+0.0050 +0.0050 -0.0051	0. <b>999</b> 9			5st, vol 27,469 606 10	64,57 7,00
ep un	0.6411	0.6436 0.6461 0.6463	+0.0029 +0.0026 -0.0056	0.6438 0.6461	0.64 0.64	111	43,306 35	74,791 1,982	Jun Sep	;	1.0103	1.0105 1.0182	+0.0050 +0.0050	1.0110		936	27,453 606	84,57 7,00
Aar un iep <b>5W19S I</b> Aar	0.6411 0.6458	0.6436 0.6461 0.6463	+0.0029 +0.0026 -0.0056	0.6438 0.6461	0.64 0.64 SFr_	111 156	43,306 35	74,791 1,982	Jun Sep	ERLING	1.0103	1.0105 1.0182	+0.0050 +0.0050 -0.0051	1.0110	1.0	936	27,463 606 10	Open 6 84,57 7,000 350
in 190 1 <b>578719:5</b> 1 1 ar 1 n	0.6411 0.6458 FRANC FUT	0,6436 0,6461 0,8463 URIES (I	+0.0029 +0.0026 -0.0056 MM) SFr 12	0.6438 0.6461 25,000 per	0.84 0.64 SFr 0.76	111 156 158 158	43,306 35 2	74,791 1,982 146	Jun Sep III S1 Mar Jun	ERLING	1.0103	1.0105 1.0182 ES (IMM) 1.5534 1.5530	+0.0050 +0.0050 -0.0051	1,011( r £ 1,5544 1,555(	1.5	936	27,463 606 10 21,967 23	84,57 7,00 350 55,31
ep   <b>SWISS I</b>   <b>SWISS I</b>   er   ep	0.6411 0.6458 FRANC FUT 0.7665 0.7737	0.6436 0.6461 0.6463 URLES (I 0.7682 0.7737 0.7800	+0.0029 +0.0026 -0.0055 MM) SFr 12 +0.0021 +0.0023 +0.0025	0.6438 0.6461 25,000 per 0.7684 0.7737	0.84 0.64 SFr 0.76	111 156 158 158	43,306 35 2 2 24,407 98	74,791 1,982 146 36,355 691	Jun Sep Mar Jun Sep	S EUI	1.0103 RUTUR 1.5518	1.0105 1.0182 ES (IMM) 1.5534 1.5530 1.5540	+0.0060 +0.0050 -0.0051 -0.0051 -0.0046 -0.0046	1.0110 F E 1.5544 1.5550 1.5640	1.0	936 1099 504	27,453 606 10 21,967 23 5	84,57 7,00 360 355 55,31 555 4
ep SWISS I	0.6411 0.6458 FRANC FUT 0.7665 0.7737 0.7800	0.6436 0.6461 0.8463 URES (1 0.7682 0.7737 0.7800	+0.0029 +0.0026 -0.0056 MM) SFr 12 +0.0021 +0.0025	0.6438 0.6461 25,000 per 0.7684 0.7737	0.84 0.64 SFr 0.76 0.77 0.78	111 156 158 158	43,306 35 2 2 24,407 98	74,791 1,982 146 36,355 691	Jun Sep III Si Mar Jun Sep	S EUI	1.0103 2 FUTUR 1.5518	1.0105 1.0182 ES (IMM) 1.5534 1.5530 1.5540 AN CU	+0.0060 +0.0050 -0.0051 262,500 pe +0.0046 PRENC	1.0110 F E 1.5544 1.5550 1.5540	1.0	936 039 504 -	27,463 606 10 21,967 23	94,57 7,00 350 55,31 555 4
I SWISS I	0.6411 0.6458 FRANC FUT 0.7665 0.7737 0.7800	0.6436 0.6463 0.6463 URES (1 0.7682 0.7737 0.7800 FAT Over-	+0.0029 +0.0026 -0.0056 MM) SFr 12 +0.0021 +0.0023 +0.0025	0.6438 0.6481 25,000 per 0.7684 0.7737 0.7800	0.84 0.64 0.64 SFr 0.76 0.77	56 58 37 000	43,306 35 2 24,407 98 9	74,791 1,982 145 36,355 691 60	Jun Sep III St Mar Jun Sep EM	S EUI	ROPE/	1.0105 1.0182 ES (IMM) 1.5534 1.5530 1.5540 AN CU n. R again	+0.0060 +0.0050 -0.0051 -0.0046 +0.0046 RRENC about Ecu	1.0110 1.5544 1.5550 1.5540 Change on day	1.0 1.5 1.5 7. +/-	936 1099 504 	27,463 606 10 21,967 23 5 5 % sprease v weekless	84,57 7,00 360 55,31 555 4
I SWISS I	0.6411 0.6458 FRANC FUT 0.7665 0.7737 0.7800	0.6436 0.6463 0.6463 URES (1 0.7682 0.7737 0.7800 FAT	+0.0029 +0.0026 -0.0056 MM) SFr 12 +0.0021 +0.0025 +0.0025	0.6438 0.6481 25,000 per 0.7684 0.7737 0.7800	0.64 0.64 SFr 0.77 0.77 0.78	56 58 37 000	43,306 35 2 24,407 98 9	74,791 1,982 146 36,355 691 60	Jun Sep Jun Sep EM Jen 9	S EUI	1.5518 ROPE/ Eq. 08 1.3518	1.0105 1.0182 1.0182 1.5534 1.5530 1.5540 <b>AN CU</b> n. R 30ain 2 2:13	+0.0050 +0.0051 -0.0051 +0.0046 +0.0046 RRENC abe st Ecul 3482 -1985	1.0110 r £ 1.5544 1.5550 1.5540 Y UN Change on day 0.00035 -0.0122	1.0 1.5 1.5 7 ++ cen.	936 099 504 - from rate 82 52	27,463 606 10 21,967 23 5 % spream v westers 8,95 8,62	94,57 7,00 350 55,31 555 4 d Di
uni ep  I Swiss I  Ler  UK IN  ONDO  an 9	0.6411 0.6458 FRANC FUT 0.7685 0.7737 0.7600 IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	0.6436 0.6463 0.6463 URES (1 0.7682 0.7737 0.7800 FAT Over-	+0.0029 +0.0026 -0.0056 MM) SFr 12 +0.0021 +0.0023 +0.0025	0.6436 0.6481 25,000 per 0.7684 0.7730 One month	0.84 0.64 0.64 0.77 0.77 0.77	558 : 37 : 000 : 63	43,308 35 2 24,407 98 9	74,791 1,982 148 36,355 691 80 One year	Jun Sep Mar Jun Sep EM Jen 9	S EUI	1.5518 ROPE/ Ecu co rates 2.1967 40.213	1.0105 1.0182 1.5534 1.5530 1.5540 1.5540 1.5540 1.5540 1.5540	+0.0050 +0.0051 -0.0051 -0.0061 -0.0046 +0.0046 	1.0110 r £ 1.554 1.5550 1.6640 Change on day 0.00036 -0.0122	1.0 1.5 7 PJ 7 ++ cen.	936 099 - 504 - - - - - - - - - - - - - - - - - - -	27,463 806 10 21,967 23 5 % spreak v weekless 8,95 8,52 8,39	94,57 7,00 360 355 4 d Diet in
I SWISS I  Aer  UK IN  ONDO  an 9	0.6411 0.6456 FRANC FUT 0.7665 0.7737 0.7800 N MONI	0.6436 0.6461 0.6463 URBES (I 0.7682 0.7737 0.7800 FATI EY RA	+0.0029 +0.0026 -0.0055 MM) SFr 12 +0.0021 +0.0023 +0.0025 TES 7 days notice	0.6436 0.6481 25,000 per 0.7684 0.7730 One month	0.84 0.64 0.64 0.77 0.77 0.77	558 37 300 69 7, 69 6	43,308 35 2 24,407 98 9 9	74,791 1,982 146 36,355 691 60 One year	Jun Sep Mar Jun Sep EM Jen S Nethel Belgi Germ Irelan	S EUI	1.5518 ROPE/ Ecu ca rates 2.1927 40.212 1.9496 0.80962	1.0105 1.0182 ES (IMM) 1.5534 1.5530 1.5540 AN CU n. R 303in 2 2.1 3 39 4 1.5 8 0.7	+0.0050 +0.0051 -0.0051 -0.0061 -0.0046 +0.0046 	1.0110 F E 1.554 1.555 1.654 Change on day 0.0035 -0.0123 0.0038	1.0 1.5 1.5 7.4 64. -2. -2.	936 099 504 504 7000 7200 7200 7200 7200 7200 7200 72	27,463 806 10 21,957 23 5 % spreak v westes 8,95 6,62 8,25 7,63	94,57 7,00 350 350 55,31 555 4 d Dist in
un ep la swiss i la sw	0.6411 0.6456 FRANC FUT 0.7665 0.7737 0.7800 N MONI	0.6436 0.6461 0.6463 URBES (I 0.7682 0.7737 0.7800 FATI EY RA	+0.0029 +0.0026 -0.0055 MM) SFr 12 +0.0021 +0.0023 +0.0025 TES 7 days notice	0.6438 0.6481 25,000 per 0.7684 0.7737 0.7800 One month 6,4 - 51 511 - 51 511 - 51 513 - 51	0.64 0.64 0.67 0.77 0.78 0.78	558 : 37 : 300 : 563 : 7; 633 : 613 : 613 : 613 : 613 : 613	43,308 35 2 24,407 98 9 Six nonths	74,791 1,982 148 36,355 691 80 One year	Jun Sep Mar Jun Sep EMS Jen 1 Netth Belgi Gertin Irelan	S EUI	1.0103 - 1.5518 - 1.5518 - 1.5518 - 1.5518 - 1.212 1.9496 0.8086 6.5388	1.0105 1.0182 ES (IMM) 1.5534 1.5530 1.5540 AN CU n. R 30ain 2 2.1 33 39 4 1.9 8 0.7 8 6.5	+0.0050 +0.0051 -0.0051 +0.0046 +0.0046 -0.004	1.0110 r E 1.5544 1.5550 1.6640 Change on day 0.00035 -0.0122 0.00038 0.001317 0.00102	1.0 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	936 099 - 504 - from rate 82 52 32 62 57	27,463 606 10 21,967 23 5 5 5 9, spream v westes 8,95 8,52 8,39 7,63 5,28	94,57 7,00 350 55,31 555 4 d Din 18
UK III  ONDO an 9  terbank Stroning Costorials States	0.6411 0.6458 FRANC FUT 0.7685 0.7737 0.7600 N MONI	0.6436 0.6461 0.8463 URIES 0 0.7682 0.7737 0.7800 FA I EY RJ Over- night 8 - Sl <sub>2</sub>	+0.0029 +0.0026 -0.0056 MM) SFr 12 +0.0021 +0.0023 +0.0025 7 days notice 6 <sup>1</sup> g - 5 <sup>7</sup> g	0.6436 0.6461 25,000 per 0.7684 0.7737 0.7800 One month 6,4 - 51 511 - 51 511 - 51 512 - 51	0.64 0.64 0.67 0.77 0.78 0.78	558 ; 558 ; 57 ; 57 ; 57 ; 57 ; 57 ; 57	43,308 35 2 24,407 98 9 Skx nonths	74,791 1,982 146 36,355 691 60 One year 7 <sup>5</sup> <sub>8</sub> - 7 <sup>3</sup> <sub>4</sub> - 7 <sup>3</sup> <sub>8</sub> -	Jun Sep Mar Jun Sep EM Jen S Nethel Belgi Germ Irelan	S EUI	1.5518 ROPE/ Ecu ca rates 2.1927 40.212 1.9496 0.80962	1.0105 1.0182 ES (IMM) 1.5534 1.5530 1.5540 AN CU n. R 30ah 23 39 44 1.5 28 0.77 39 47 1.5 39 47 1.5 30 47 1.5 47 br>47 1.5 47 1.5 47 1.5 47 1.5 47 1.5 47 1.5 47 1.5 47 1.5 47 1.5 4	+0.0050 +0.0051 -0.0051 +0.0046 +0.0046 -0.004	1.0110 F E 1.554 1.555 1.654 Change on day 0.0035 -0.0123 0.0038	1.0 1.5 7 #/- cen. -2/-2/-2/-2/-2/-2/-0/-	936 099 - 504 - from rate 82 52 32 62 57	27,463 806 10 21,957 23 5 % spreak v westes 8,95 6,62 8,25 7,63	94,57 7,000 360 350 55,31 5555 4 di Di st in
uni ep  I SWISS I lar un ep  UK II) ONDO en 9 terbank Streetink Streeting Cos	0.6411 0.6458 FRANC FUT 0.7665 0.7737 0.7800 N MONI	0.6436 0.6461 0.6463 URBES (I 0.7682 0.7737 0.7800 FATI EY RA	+0.0029 +0.0026 -0.0055 MM) SFr 12 +0.0021 +0.0023 +0.0025 TES 7 days notice	0.6438 0.6481 25,000 per 0.7684 0.7737 0.7800 One month 6,4 - 51 511 - 51 511 - 51 513 - 51	0.64 0.64 0.75 0.77 0.78	558 ; 558 ; 57 ; 57 ; 57 ; 57 ; 57 ; 57	43,308 35 2 24,407 98 9 Six nonths	74,791 1,982 148 36,355 691 80 One year	Jun Sep  Mar Jun Sep  EMS  Nethin Belgi Germ Irelant France Portu	S EUI priands um eny d d park gai	1.0103 1.5518 1.5518 Equ ce rates 2.1967 40.212 1.9496 0.80862 6.5387 7.4367 152.85	1.0105 1.0182 ES (IMM) 1.5534 1.5534 1.5540 AN CU 2.21 2.33 39 4.14 2.97 3.97 4.14 4.19 7.74 4.19	+0.0050 +0.0051 -0.0051 +0.0046 +0.0046 ***********************************	1.0110 F E 1.554 1.5550 1.554 2.4 UN 0.00036 -0.0122 0.00038 1.001317 0.00102	1.0 1.5 7 Pu 7 ++ cen. -2. -2. -1. 0.0	936 099 - 504 - - - - - - - - - - - - - - - - - - -	27,463 806 10 21,967 23 5 % spreadow westons 8,95 8,95 8,95 8,39 7,63 5,24 5,14	94,57 7,00 350 55,31 555 4
UK III  ONDO an 9  terbank Stording Costording Stording Histording Costording Materials Histording Costording Materials Histording Materials Histording Materials Histording Materials Histording Materials Histording Materials	0.6411 0.6458 FRANC FUT 0.7665 0.7737 0.7800 N MONI	0.6436 0.6461 0.8463 URBES 0 0.7632 0.7737 0.7800 EY R/ Over- night 8 - 5½	+0.0029 +0.0026 -0.0056 MM) SFr 12 +0.0021 +0.0023 +0.0025 7 days notice 6 <sup>1</sup> a - 5 <sup>7</sup> a 5 <sup>1</sup> days 1 - 5 <sup>1</sup> days	0.6436 0.6461 0.6461 0.7684 0.7737 0.7600 One month 614 - 51 514 - 51 514 - 51 614 - 51 614 - 51	0.64 0.64 0.64 0.76 0.77 0.77 0.78	558 : 558 : 57 : 500 : 564 : 7; 664 : 7; 664 : 7;	43,308 35 2 24,407 98 9 9 Shx nonths 1, 6, 6, 1, 6, 1, 6, 1, 6, 1, 6, 1, 6, 1, 6, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	74,791 1,982 146 36,355 691 60 One year 7 <sup>5</sup> <sub>8</sub> - 7 <sup>3</sup> <sub>4</sub> - 7 <sup>3</sup> <sub>8</sub> -	Jun Sep  III ST  Mar Jun Sep  EMS  Jun 1  Nethin Belgi Genrar  Frank Denti Spake	S EUI srlands um dray d d seark gai	1.0103 1.5518 1.5518 2.1967 40.212 1.8498 7.496962 6.5388 7.4369 192.85 154.25	1.0105 1.0182 1.5534 1.5534 1.5530 1.5540 AN CU 2.21 2.33 39 44 1.5540 2.34 3.364 3.	+0.0050 +0.0051 -0.0051 +0.0046 +0.0046 +0.0046 RRENC abe ef Ecu 1985 -1	1.0110 r £ 1.5544 1.5556 1.5564 2.00035 -0.0122 -0.00038 1.001317 -0.00002 -0.25 +0.151	1.0 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	936 099 504 	27,463 806 10 21,957 23 5 % spreak v wester 8,95 8,59 7,63 5,28 8,39 7,63 5,28 5,14 4,27 0,00	94,515 7,000 380 555,31 5555 4 d Di 18t in
II SWISS I I SWI	0.6411 0.6458 FRANC FUT 0.7665 0.7737 0.7800 II = 1.7353 IN MONI	0.6436 0.6461 0.8463 URBES 0 0.7632 0.7737 0.7800 EY R/ Over- night 8 - 5½	+0.0029 +0.0026 -0.0056  MM) SFr 12 +0.0027 +0.0023 +0.0025  7 days notice 6½ - 5½ - 5½ - 5½ - 5½ - 6½ - 6½ - 6½ - 6½ - 6½ - 6½ - 6½ - 6	0.6438 0.6481 0.6481 0.7584 0.7737 0.7800 One month 6½ - 51 5½ - 51 5½ - 51 5½ - 51 6½ - 51 1-3	0.64 0.64 0.76 0.77 0.77 0.78 0.78 0.78 0.78 0.78 0.78	111 156 158 158 158 158 158 158 158 158 158 158	43,308 35 2 24,407 98 9 9 Six nonths 1, - 6,1 2, - 6,1 1, - 6,1	74,791 1,982 146 36,355 691 60 One year 7½ - 7¼ - 7¼ - 7¼ - 7¼ - 7¼	Jun Sep  III ST  Mar Jun Sep  EMS  Jan S  Nethin Belgis  Franci Irelam  Franci Portus  Spalin  NON  Green  Italy	S EUI srlands um dray d d seark gai	1.0103 1.5518 1.5518 Eq. ce rates 2.1967 40.212 1.9496 0.80862 6.5388 7.4307 192.85 154.25 204.51 1793.1	1.0105 1.0182 1.5534 1.5534 1.5540 1.	+0.0050 +0.0051 -0.0051 +0.0046 +0.0046 	1.0110 1.5540 1.5550 1.5560 2.7 UN Change on day 0.00035 -0.0122 0.00035 -0.0122 0.00035 +0.151	1.0 1.5 7 Pu 7 ++ cen. -2. -2. -1. 0.0	936 099 504 - - - - - - - - - - - - - - - - - - -	27,463 606 10 21,967 23 5 5 % sprease v wedoes 8.95 8.52 7.63 5.26 5.26 5.26 4.27	94,55 7,00 350 350 55,31 555 4 di Di et in
UK IN ONDO an 9 topbank Stronging Costoning Bass and Bass	0.6411 0.6458 FRANC FUT 0.7665 0.7737 0.7800 II = 1.7353 IN MONI	0.6436 0.6461 0.8463 URBES 0 0.7632 0.7737 0.7800 EY R/ Over- night 8 - 5½	+0.0029 +0.0026 -0.0055 MM) SFr 12 +0.0021 +0.0023 +0.0025 7 days notice 64 - 5% - 512 - 512 - 512 - 512	0.6438 0.6481 0.6481 0.7584 0.7737 0.7800 One month 6½ - 5½ 5½ - 5½ 5½ - 5½ 6½ - 5½	0.64 0.64 0.75 0.77 0.77 0.78	111 156 158 158 158 158 158 158 158 158 158 158	43,308 35 2 24,407 98 9 9 Skx nonths 1, - 6,	74,791 1,982 146 36,355 691 60 One year 7½ - 7½ - 7½ - 7½ - 7½	Jun Sep  III ST  Mar Jun Sep  EMS  Jen 1  Netheller France Portur Spaler  NON Greet Italy UK	S EUI seriands um arry ud as ark gal	1.0103 1.5518 1.5518 1.5518 2.1967 40.212 1.94962 0.80962 0.80962 1.5425 154.25 204.51 1.793.1	1.0105 1.0182 1.5534 1.5534 1.5534 1.5530 AN CU n. again 2 2.1 3 39 4 1.9 3 6.6 9 7.4 4 19 9 0 16	+0.0050 +0.0051 -0.0051 +0.0046 +0.0046 	1.0110 F E 1.5544 1.5554 1.5564 1.5564 1.5564 0.00036 -0.0122 0.00038 -0.0122 0.00038 +0.151 -0.251 +0.161	1.0 1.5 1.5 7 +/- cen -2 -2 -2 -1 0.0 0.1 11.1 11.1	936 0999 - 504 - - - - - - - - - - - - - - - - - - -	27,463 806 10 21,957 23 5 % spress v wedoes 8,95 7,63 5,24 5,24 4,27 0,00	94,53 7,000 350 55,31 555 4 d Dist in

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THPOL	Open Open	Sett price	Chonge	High	500,000 p Low	Est. voi	Open Int.	■ PHS.AI	ELPHA S	SE £/\$ 0	7 <b>710NS</b> £	31.250	(cents ne	r noundi	i	
Mer	92.69	92.74	+0.04	92.79	92.69		93564	Strike			u LS		, <u>,</u>		PUTS -	
Jun	91,93	92.01	+0.05	92.07	81.93		70522	Price	Jar	_	eb	Mar	Ja		Feb -	Mar
Sep	91.44	91.51	+0.06	91.56	Ø1,44		65675	1,500	5.2	-	.37	5.67			0.08	
Dec	91.13	91.18	+0.04	91.24	91.13	5134	47011	1.525	2.8		22	3.75			0.41	0.41 0.96
Algo traded	on APT. AB C	an interest	figs. are for a	previous (	day.			1.550	0.7		59	2.27	0.3		1.22	1.90
				-	-			1.575	0.0		.61	1.22	2.1		2.67	3.28
								1.600			1.17	0.58	4.5		4.72	5.12
# SHOR	F STERLING	OPTIONS	(LIFFE) 25(	g 000,00	oints of 10	D <b>0%</b>		1.625	-		LOH	0.23	7.0		7.04	7.24
Strike		CAL		==		PUTS		Previous day	's vol., Culls	4,835 Puts	14,167 . Pro	w. dey's	open inc. (	Calls 215.	312 Puts 24	
Price	Mar	عاني -		90	Mar	_ Poss	Sep	·								
9250	0.38	0.17		•		0.66	1.12									
923U 9275	0.20	0.11		-	0.12 0.21	0.85	1.12	THE	MONTH	TUHODOL	LAR (IMN	1) \$1m	points of	100%		
9300	0.09	0.0			0.35	1.06	1.55	]	Open	Latest	Chang	e f	ligh	Low	Est. vol	Open int
	al, Calle 4930 !							Mar	92.92	92,92	-0.01	92	2.83	92.90	241,605	454,124
								Jun	92.21	92.20	-0.02			92.18	305.825	
								' Sep	91.84	91.82	-0.02	g	1.84	91.60	155,992	
Affect Tru	company st Bank	% 6.25 Du 6.25 Ex	LENDI ncan Lawie ster Benk Lin	,	% 8.25 * Ro 7.25 Co	edurghe Guer	% aritee ed is no	Mar Jun Sep	93.58 92.89 92.50	93.57 92.89 92.50	-0.03 -0.01 -0.04	S.	3.58 2.90	83.57 82.88 92.50	3,476 559 883	13,172 3,814 1,429
			rencial & Ger		6.5 kg	nger authorised	l as	All Open Inte	rest figs. er	e for previou	na dazy					
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	<b>128</b>		murus den ritable & Gen			8 Blod Bik of Kuw	625	9450	0.07	0.12	0.16	0.10	0.04	0.09	0.13	0.53
Bank of S	cotano		Semuel		es un	auc program By Trust Bank	Br 0.20	9475	0	0.03	0.05	0.05	0.22	0.25	0.27	0.73
	3ank (		Hoere & Co.			etem Trust		9600	0	0.01	<b>G</b> 01	0.03	0.47	0.48	0.48	0.96
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#### **CONTRACTS & TENDERS**

#### NATURAL RESOURCES INSTITUTE (NRI):

CHANGE OF OWNERSHIP The Natural Resources Institute (NRI), currently an Executive Agency within the Overseas Development Administration (ODA) and based at Chatham, Kent, is a major centre of research and technology transfer in renewable natural resources.

The ODA's aim is that the specialised services currently provided to the aid programme by NRI should continue on terms which ensure value for money through maintaining NRI as a multidisciplinary centre of international standing in the conservation, management and sustainable development of renewable natural resources. However it has decided that ODA should not continue as both owner and customer of NRI and it intends that ownership of NRI should transfer to another body.

The ODA therefore invites expressions of interest from any organisation, especially Universities, singly or in association with others, which is interested in assuming ownership of NRI.

#### TENDER PROCESS AND CRITERIA

Expressions of interest from any organisation should set out their initial qualifications and the rationale for their interest: in particular how the work of NRI would fit in with their current activities and how they would intend to develop NRI. Proposals may relate to ownership of the whole or particular parts of NRI's current activities; preference will be given to the former.

The ODA will consider expressions of interest received and select those which in its opinion are most likely to realise its objectives for the transfer of ownership taking account of scientific and value for money issues. Shortlisted bidders will be provided with an information memorand a basis for preparing fuller bids. ODA will make a choice based on these. ODA reserves the right not to proceed with the transfer or with discussions with particular bodies at any stage.

#### FURTHER INFORMATION AND TIMETABLE

A copy of NRI's annual report and accounts for 1993-94 and a short note with further ation is available by writing to Mark Fitzpatrick, Sponsored Organisations and Scholarships Department, ODA, 94 Victoria Street, London SW1E 5JL (Telephone 0171 917 0531). Expressions of interest by any organisation should be sent to Sponsored Organisations and Scholarships Department, ODA to arrive no later than 30 January 1995.

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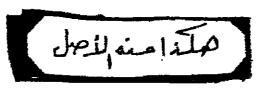
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#### YORK STOCK EXCHANGE COMPOSITE PRICES

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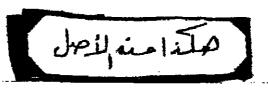
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FINANCIAL TIMES

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#### **AMERICA**

# Mexico losses extended in weak region

Mexican equities extended heavy losses by mid-morning, affected by arbitrage operations, as the peso showed early gains against the dollar. The IPC index was down 81.45 or 3.6 per cent at 2.173.48, in low turnover of 342.5m

The Mexican government began to use credit lines with the US Federal Reserve and the Bank of Canada to intervene in the currency market, helping to steady the peso.

The Bank of Mexico announced yesterday that it would buy up subordinated debt from banks having trouble meeting capitalisation requirements because of the

country's economic crisis.

The banking sector has been badly affected by the current crisis which followed the devaluation of the peso on Decem-

ber 20. Shares in São Paulo were down 6.4 per cent in midday trade as investors reacted to unconfirmed reports that the banking sector in Brazil and Argentina faced difficulties after the recent plunge in stock

and debt prices. The Bovespa index was off 2.471 at 35.803 by 1 pm in turnover of R\$164.1m (\$194m). The stock exchange con-

firmed yesterday the re-election for a fifth term as president of Mr Alvaro Augusto

• The Buenos Aires equity market felt the strain as the region went into freefall once more, with the Merval index down 5 per cent at midsession at 413.73. Turnover was a thin

#### **Wali Street**

US share prices were mixed yesterday morning as traders watched a falling bond market and awaited important economic news due out today and Wednesday, writes Lisa Bran-

sten in New York. By 1 pm, the Dow Jones Industrial Average had lost 8.42 at 3,858.99 and the more broadly based Standard & Poor's 500 was down 0.56 at 460.12. The American Stock Exchange composite rose 0.56 to 433.68 and the Nasdaq

Volume on the NYSE was a light 168m shares, ahead of December statistics due from the Labor department today on the producer price index and tomorrow on the consumer price index. Through most of last year both figures held relatively steady, but inflationary pressures were seen in components of the PPI.

Many market players fear the data could spur the Federal Reserve to undertake more or High interest rates tend to hurt the market because they deter consumer spending and corpo-

The Nasdaq was aided by Lotus Development, which rumours that AT & T, the communications giant, might be interested in buying the software company. AT & T shares were trading up \$% at \$48%. Other software companies were mostly higher vesterday. Oracle Systems was up \$% at \$43%, Sybase \$% at \$49% and Novell was unchanged at \$17%.

American depository shares of Mexican companies bounced back slightly from their lows after the Federal Reserve Bank of New York announced it was intervening in the currency markets to bolster the beleaguered peso. Telmex pushed up \$% at \$37%, Coca-Cola Femsa rose \$% at \$21% and Grupo Tribasa picked up \$% at \$12%. Grupo Televisa was down \$1/4

Shares of Pet, the food company, soared \$5% at \$25% on news that the company would be acquired by Grand Metro-politan of the UK for \$26 a

#### Canada

Toronto marked time at midday as investors hoped that the US producer and consumer price figures for December, due today and tomorrow, would provide renewed direction for the market.

The TSE-300 index edged 2.19 higher at noon to 4,153.84 in thin volume of 22.8m shares. Of the market's 14 sub-indices, eight posted losses by mid-day, led by the transport group and the communications and

Strong sectors included gold

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Austria	-0.84	+1.20	-13.64	-12.36	-6.78	-211
Belgium	-0.13	-0.14	-9.81	-8.94	-2.21	+2.68
Denmark	÷0.94	+4.57	-10.64	-7.91	-2.63	+2.24
Finland	+1.93	+3.85	+19,60	+25.93	+45.79	+53.08
France	+0.09	-2.40	-16.47	-15.92	-12.05	-7.64
Germany	-2.46	+1.10	-9,61	-11.03	-5.54	-0.81
ireland	+2.72	+7.55	-0.61	+4.36	+8.51	+13.94
Italy	+0.76	+8.00	+7.69	+4.81	+4.87	+10.12
Netherlands	-0.28	+2.31	-5.10	-2.96	+2.84	+7.98
Norway	-2.52	+1.62	-0,47	+4.03	+9.59	+15.07
Spain	-1.13	-6.72	-13.90	-13.77	-12_26	-7.87
Sweden	+2.87	+3,42	+5.61	+7.98	+13.93	+19.63
Switzerland	-0.36	+1.62	-11,54	-9.43	-2.01	+2.90
UK	-0.05	+2.90	-10.16	-10.19	-10.20	-5.70
EUROPE	-0.25	+1.63	-9.28	-8.96	-5.94	-1.23
Australia	-2.26	+0.47	-13.17	-12.02	-5.41	-0.68
Hong Kong	-6.03	-1.08	-35.01	-37,29	-40.52	-37.54
Japan	-1.43	+1.83	+4.24	+6.27	+11.52	+17.09
Malaysia	-2.64	+3.63	-23.56	-25.22	-24.80	-21.04
New Zealand	-0.46	-0.43	-9.99	-9.76	-2.12	+2.77
Singapore	-0.72	+6.06	-8.31	-8.69	-3.76	+1.06
Canada	-1.35	+2.90	-3.09	-0.41	-10.42	-5.94
USA	+0.46	+3.12	-0.72	-0.67	-5.40	-0.67
Mexico	-4.16	-3.92	-11,54	-9.87	-51.70	-49.29
South Africa	-2.02	+1.36	+12.77	+17.30	+17.89	+23.79
WORLD INDEX	-0.63	+2.06	-3.30	-2.70	-2.72	+2.15

FT-ACTUARIES WORLD INDICES

Belgium ( Brazil (28

Cenada (103)

Hong Kong (5

Americas (662)

North America (616)... Europe Ex. UK (618)... Pacific Ex. Japan (325

# Doubts over prospects as \$ weakness hits Paris

Strategists differed on detail yesterday, writes Our Markets Staff. Both Mr Marcus Grubb. at Salomon Brothers, and Mr François Langlade-Demoyen, at CS First Boston, liked European equities; but Mr Grubb overweighted Germany for its cyclical potential, keeping France neutral

Langlade-Demoyen strongly overweighted France, due to attractive valuations and a late business cycle, moving Germany from underweight to neutral. On the day, bourses were mostly weak.

PARIS fell sharply as dollar weakness hurt the market and some foreign investors took profits, the CAC-40 index retreating 22.18 or 1.2 per cent to 1.864.22 in turnover of some

Mr Ian Furnivall, Hoare Govett's French strategist in Paris, said he was not optimistic for the first-half performance of the market, and forecast that the CAC-40 index could test a low of 1,750 between now and May.

investors were likely to be increasingly unsettled by what could be a vituperative presiential election campaign, he

that the wave of recent corruption scandals - while not as bad as in Italy - could worsen. "There is a fear in the market that the whole political stage could be corrupt to the core." he remarked. Weakness in bonds and the

French franc, he added, was also a major factor in the market downturn, while lack of liquidity was going to be a problem in the first half. Générale des Eaux, the utili-

ties and communications group, was among the main fallers, off FFr22 or 4.3 per cent at FFr 195, although there were reports in the domestic media that Bouygues, the construction company, unchanged at FFr514, could make a bid. Among second line stocks,

Navigation Mixte, the industrial group, went against the trend, gaining FFr29 or 3 per cent at FFr980 after reporting that it expected to see a rise in 1994 profits. FRANKFURT did better than

most, the Dax index moving forward 5.26 to 2,059.8 on the session and Ibis trading produ-cing a relatively modest fall to FT-SE Actuaries Share Indices Open 10.36 \$1.00 12.00 13.00 14.00 15.00 FT-SE Eurotrack 109 1331.52 1333.52 1332.08 1329.55 1328.71 1327.64 1324.86 1323.84 FT-SE Eurotrack 200 1388.18 1338.27 1386.35 1384.44 1384.35 1382.14 1379.49 1380.11 Jen 5 Jan 4 1328.95 1337.95

Its cyclicals yesterday did seem to give the market a degree of stability. In the auto-motive sector, BMW rose DM3 to DM758 and Continental, the tyremaker, appreciated DM3.20 to DM219.50.

However, it was a modified defensive" stock – Viag, with its high utility content enhanced by last week's sale of its papermaking subsidiary which gave the market some-thing to talk about.

Press conferences scheduled for today by both Viag and British Telecom yesterday were expected to precede a joint attack on the German telecommunications market. Viag shares rose another DM10 to DM492.50.

MADRID shivered as rumour

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Sep 1994

Mr Jeff Chowdhry at Foreign

& Colonial in London said that

while the postponement might

have a negative short-term

effect on the market, he

believed that the move demon-

strated a realistic approach by the company towards raising

capital in a market facing calls

4,600

4,500 \

4,400 -

4,300 --

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3,700 -

obsessed with political scandal. The general index bit a new 1994-95 low, tumbling 4.14 to 279.59 in turnover of Pta29bn. Mr Felipe González, the

Spanish prime minister, was due to be interviewed on television yesterday evening. Meanwhile pressure on the peseta. and its implications for interest rates once again hit electric utilities, which, said Mr David Joel of brokers FG, have about 70 to 75 per cent of their short term debt in variable rate instruments. Sevillana, Fen-sosa and Iberdrola fell by 3.2, 3.5 and 3.7 per cent, to Pta537. Pta492 and Pta759.

MILAN was 1.7 per cent lower in thin, speculative trade, the Comit index losing 11.14 to 633.81 although a pend-

for an unprecedented \$3bn to

\$4bn during the first quarter of

SYDNEY was undermined by

a drop of 2.5 per cent in the price of gold, while a fall in

News Corporation also affected

sentiment. The All Ordinaries

index lost 8.8 at 1,858.9 in light

News Corp shed 15 cents to

A\$4.72 amid worries that its

preference stock might be

excluded from the index, con-

cerns over the effect of higher

newsprint prices on earnings

and worries over the weakness

of shares in UK quoted BSkyB.

miner, was heavily affected by

the weaker bullion price, fin-

down at AS4.70.

cent to 2,704.98.

ishing 45 cents or 8.7 per cent

MANILA declined in the

absence of support from over-

seas institutions. The compos-

ite index fell 51.24 or 1.85 per

Most of the session's trading

Plutonic Resources, the gold

turnover of A\$267m.

ing decision from the constitutional court on electoral reform could delay new elections, a move likely to be welcomed by

The nervous mood was compounded by the Bank of Italy governor, Mr Antonio Fazio. who linked a rise in short-term interest rates with the control of inflation, which hit the lira and also took shares lower.

Banks remained at the centre of attention. Credito Italiano slipped L48 to L1,799 in heavy volume of 22 im shares. Weekend newspaper reports suggested that it might have found a partner to launch a revised bid for Credito Romagnolo, to challenge Cariplo's L21,500 a share offer for 70 per cent which will be launched tomorrow. Rolo edged up L84 to L19.361.

ZURICH edged lower in response to the weak dollar, the SMI index losing 5.0 to 2,617.3. Nestlé fell SFr14 to SFr1,219 in largely technical trade ahead of the expiry of a warrant issue next week. UBS was supported by the

issue of new warrants, picking up SFr14 to SFr1,042 as Mr Martin Ebner's BK Vision

issues, following Friday's suc-

cessful 39bn pesos land auc-

tion, the biggest of its kind for

Metro Pacific, a unit of Hong

Kong-based First Pacific and

which was the winning bidder,

rose sharply in early trade, seeing a session's high of 4.35 pesos, before closing

unchanged at 3.50 pesos. JG

Summit Holdings, which was an unsuccessful bidder, tum-

bled 13.8 per cent to 7.50 pesos. KUALA LUMPUR lost 1.9 per

cent as selling pressure by for-

eign funds accelerated. The

composite index dropped 18.38

to 937.05 in light volume of 61m shares which tended to exag-

TAIPEI retreated in thin

trade as most investors stayed

cautious. The weighted index

slipped 46.32 to 6,869.08 in turn-

JAKARTA reflected the

mood elsewhere in the region.

gerate price movements.

over of T\$49bn.

investment fund confirmed that it had flied a formal legal challenge to the bank's plan to unify its share structure. AMSTERDAM weakened in

late trade after a positive opening. The AEX index slipped 0.60 to 414.57. The publishing sector was

lower, with Elsevier down 40 cents or 22 per cent at F1 17:50, while VNU lost F1 3:20 to F1 179:30 and Wolters Kluwer 50 cents to F1 125.40. KPN went against the trend. up 70 cents at F1 57.20, following a statement at the weekend

BT in G

that it had seen a 11 per cent rise in profit during 1994. HELSINKI gained 2.4 per cent, boosted by gains in the heavily-weighted Nokia after the share's strong performance

on Wall Street last Friday. The Hex index rose 44.8 to 1.930.5, Nokia firming FM31 to FM736 as it continued to benefit from news that the company had been awarded the contract by Omnitel to provide the infrastructure for Italy's second cellular network.

Written and edited by William Cochrane, John Pitt and Michael

the official index falling 4.18 to

477.04, while Bukaka, a design

engineering, construction and

manufacturing company, rose

almost 4 per cent on its debut,

closing at Rp3,325 with 2.5m shares changing hands.

SEQUL was higher for the

second straight trading day as

improved demand for lower

priced shares, especially finan-cials, far outweighed consolide -

tion of blue chips. The composite index closed 9.52 up at

998.32 after touching 1,001.46.

on improved domestic buying

of bank, finance and manufac-

turing issues. The all-share index added 21.85 at 1,842.73 in

turnover that rose by nearly 50

per cent to SLRs128.33m, with

local investors encouraged by

the president's statement on

Friday that the government

planned to sell stock in state-

owned ventures, and the

announcement of a truce with

Tamil Tiger rebels.

COLOMBO advanced afresh

# Property price worries prompt 2% fall in Hong Kong

#### Hong Kong

Equities in Hong Kong posted further steep losses amid continuing worries about falling property prices. The Hang Seng index added to Friday's 3 per cent drop, tumbling 154.37 or 2 per cent to 7,528.88, in turnover that fell to HK\$2.4bn from Friday's HK\$2.9bn.

Several leading developers have cut the prices of new flats, triggering falls in a number of property-related stocks to 12-month lows. These included Cheung Kong, which weakened HK\$1,10 to HK\$28.15, its Hutchison associate, surrendering HK\$1.30 to HK\$27.35, and Sun Hung Kai Properties, finishing HK\$1.90 lower at HK\$39.40.

Fears of rising interest rates and a looming Sino-US trade war have added to the market's gloom.

#### Tokyo

Investor confidence slipped further as trading volume dropped to a two-year low and the Nikkei index declined for the fifth consecutive day,

Tokyo.
The 225 average receded 74.54 to 19,444.92 as small-lot profit-taking by corporations and individual investors, buyers on margin six months ago, depressed shares. Volume fell to 120m shares,

the lowest since December 28. 1992, as most domestic institutions and overseas investors remained inactive. The index rose to a high for the day of 19,523.86 just before

the end of the morning session, but fell to a low of 19,434.12 in the afternoon. The Topix index of all first section stocks slipped 7.74 to 1,527.90, while the Nikkei 300 declined 1.52 to 281.54. Falls outscored advances by 585 to 343, with 215 issues unchanged. In London the ISE/Nikkei 50 index edged ahead 0.74 to 1,271.82.

The lack of fresh news and low activity in the first section prompted some private investors to explore the over-thecounter market. The Nikkel OTC index rose 12.06 to 1,795.99 on a preliminary basis.

A weak yen failed to support high-technology stocks dependent on exports. Hitachi retreated Y8 to Y987, Matsushita Electric Industrial dipped Y10 to Y1,600 and Sony declined Y30 to Y5,600.

Sakai Ovex, the synthetic fabric maker, was the most active issue of the day, shedding Y18 to Y718. The stock had been supported previously by short-term speculators. Konica, also a speculative favourite, lost Y6 at Y819.

Increasing worries over brokers' earnings in slack trading conditions hit Nomura Securities, which eased Y10 to Y1,990. and Nikko Securities, Y20

Foreign buying, however supported privatisation stocks. Nippon Telegraph and Tele-phone rose Y6,000 to Y866,000 and Japan Tobacco advanced Y3,000 to Y969,000.

In Osaka, the OSE average dipped 61.65 to 21,312.78 in volume of 33.7m shares.

Much of the region was under ressure yesterday. BOMBAY fell 1.45 per cent as foreign mutual funds, which

have been setting the trend for more than a year, and big domestic individual investors mounted unrelenting selling pressure on worries about the outcome of next month's elections in five states.

The BSE 30-share index lost 54.42 at 3,711.20, with the mood also soured by news that the Industrial Development Bank of India's \$696m equity offering, due to begin on January 27, had been postponed.

#### Bullion dampens S Africa

157.49 106.04 171.33 115.36 157.90 106.32 144.35 97.19 121.29 81.66 241.96 162.91 179.05 120.56 158.84 103.44 132.90 83.44 132.90 134.13 199.20 134.13 199.20 134.13 199.20 301.57 1168.58 98.27 447.90 301.57 1168.58 786.80 203.99 137.35 66.14 44.53 199.24 134.15 256.49 240.03 314.01 211.42 122.57 82.53 225.47 161.81 156.28 105.22 150.75 101.50 182.75 123.05 178.66 120.29

165.18 111.21 188.90 106.99 217.28 148.30 152.73 102.83 185.21 104.50 176.10 117.30 142.56 95.99 220.96 148.77 156.09 105.03 160.61 108.14 173.24 116.64

Equities were affected by the sharp fall in the bullion price. reflected in a 3.4 per cent decline in the golds index, off 63.3 at 1,807.3, its lowest close since May 1994. The overall

Some analysts said the mar ket was hopeful that the gold price would hold its current support level of \$372 an ounce. but a break below that could

134.14 143.91 189.15
145.92 145.98 198.89
134.49 131.29 177.04
122.94 235.78 103.30 129.85 145.37
126.08 211.78 275.79
152.50 188.55 201.41
130.86 138.12 185.37
131.39 113.19 150.40
254.83 313.86 493.01
169.67 191.51 218.60
61.27 91.91 277.78
124.31 96.27 170.10
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decision should
be well
considered.

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